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as indenture trustee and collateral agent*

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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In re:	)	Chapter 11
	)	
	)	Case No. 18-23538 (RDD)
SEARS HOLDINGS CORPORATION, <i>et al.</i> ,	)	
	)	(Jointly Administered)
Debtors. <sup>1</sup>	)	

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**DECLARATION OF WILLIAM HENRICH**

**(I) IN SUPPORT OF THE REQUEST OF WILMINGTON TRUST, NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE AND COLLATERAL AGENT, (I) FOR PAYMENT OF AN ADMINISTRATIVE EXPENSE PURSUANT TO 11 U.S.C. § 503(a) WITH PRIORITY OVER ALL OTHER ADMINISTRATIVE EXPENSES PURSUANT TO 11 U.S.C. § 507(b) AND FOR ALLOWANCE OF A SECURED CLAIM TO THE EXTENT OF REMAINING COLLATERAL PURSUANT TO 11 U.S.C. § 506(a) AND (II) IN OPPOSITION TO THE DEBTORS' MOTION PURSUANT TO 11 U.S.C. § 506(c)**

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<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: Sears Holdings Corporation (0798); Kmart Holding Corporation (3116); Kmart Operations LLC (6546); Sears Operations LLC (4331); Sears, Roebuck and Co. (0680); ServiceLive Inc. (6774); A&E Factory Service, LLC (6695); A&E Home Delivery, LLC (0205); A&E Lawn & Garden, LLC (5028); A&E Signature Service, LLC (0204); FBA Holdings Inc. (6537); Innovel Solutions, Inc. (7180); Kmart Corporation (9500); MaxServ, Inc. (7626); Private Brands, Ltd. (4022); Sears Development Co. (6028); Sears Holdings Management Corporation (2148); Sears Home & Business Franchises, Inc. (6742); Sears Home Improvement Products, Inc. (8591); Sears Insurance Services, L.L.C. (7182); Sears Procurement Services, Inc. (2859); Sears Protection Company (1250); Sears Protection Company (PR) Inc. (4861); Sears Roebuck Acceptance Corp. (0535); Sears, Roebuck de Puerto Rico, Inc. (3626); SYW Relay LLC (1870); Wally Labs LLC (None); Big Beaver of Florida Development, LLC (None); California Builder Appliances, Inc. (6327); Florida Builder Appliances, Inc. (9133); KBL Holding Inc. (1295); KLC, Inc. (0839); Kmart of Michigan, Inc. (1696); Kmart of Washington LLC (8898); Kmart Stores of Illinois LLC (8897); Kmart Stores of Texas LLC (8915); MyGofer LLC (5531); Sears Brands Business Unit Corporation (4658); Sears Holdings Publishing Company, LLC (5554); Sears Protection Company (Florida), L.L.C. (4239); SHC Desert Springs, LLC (None); SOE, Inc. (9616); StarWest, LLC (5379); STI Merchandising, Inc. (0188); Troy Coolidge No. 13, LLC (None); BlueLight.com, Inc. (7034); Sears Brands, L.L.C. (4664); Sears Buying Services, Inc. (6533); Kmart.com LLC (9022); and Sears Brands Management Corporation (5365) (collectively, the "Debtors"). The location of the Debtors' corporate headquarters is 3333 Beverly Road, Hoffman Estates, Illinois 60179.

I, William Henrich, hereby declare:

1. I am co-Chairman of Getzler Henrich & Associates LLC (“GH”), which specializes in providing, among other things, restructuring and advisory services to distressed companies, debtors, creditors, lenders, equity participants, and others.

2. I make this declaration (I) in Support of the Request of Wilmington Trust, National Association, as Indenture Trustee and Collateral Agent For Payment of An Administrative Expense Pursuant to 11 U.S.C. § 503(a) With Priority Over All Other Administrative Expenses Pursuant to 11 U.S.C. § 507(b) and For Allowance of a Secured Claim to the Extent of Remaining Collateral Pursuant to 11 U.S.C. § 506(a) (the “Request”) [Dkt. No. 4279] and (II) In Opposition to the Debtors’ Motion Pursuant to 11 U.S.C. § 506(c).

**I. QUALIFICATIONS**

3. I hold a Master’s Degree in Business Administration from Harvard Business School and a Bachelor’s Degree from Baruch College, City University of New York. I also passed the CPA examination and used to work as a certified public accountant.

4. I have practiced as a financial and restructuring advisor, chief restructuring officer, and turnaround specialist in the fields of bankruptcy and reorganizations, insolvency, and related litigation for the past 37 years.

5. Prior to joining Getzler Henrich, I was the managing director and founder of the New York practice of a prominent middle-market corporate restructuring firm. I also served in Arthur Andersen’s corporate recovery services group, and in 1982 started Arthur Andersen’s New York bankruptcy and restructuring practice. I later held senior executive finance, operational, and sales and marketing roles with Arrow Electronics, the world’s largest electronics distribution company.

6. I have worked on more than 400 engagements during my career, and I have great familiarity with the issues involved in this matter, as well as the methods to be used to evaluate and assess the claims asserted by Wilmington Trust, National Association, as indenture trustee and collateral agent, (“Wilmington Trust”) and by the Debtors. Mostly all of these engagements involved the assessment of value, including liquidation value, sale value, and value relative to loan positions. I have testified more than twenty times as a witness in bankruptcy cases where I have been engaged.

7. Among other matters, I testified in my capacity as co-Chief Restructuring Officer (“CRO”) for the debtors in *In re Flat Out Crazy, LLC, et al.*, Case No. 13-22094 (RDD). In that bankruptcy case, my retention as CRO was approved by this Court. I testified regarding the debtors’ efforts to preserve and maximize their going concern value; the debtors’ efforts to obtain cash collateral and debtor-in-possession financing; the fact that the debtors’ going concern asset sale yielded a better result for creditors than a chapter 7 liquidation or other process; and the application of 11 U.S.C. § 506(c) to the claims asserted by certain creditors.

8. I have qualified and testified as an expert in the following cases:

- (a) *In re Bucyrus-Erie Company*, No. 94-bk-20787-rae (E.D. Wisc.). In that Chapter 11 case, I was retained by creditor Smith Management to testify regarding plan recoveries under a standalone plan versus a consolidated plan that included other subsidiaries of the debtor.
- (b) *Busy Bee, Inc. v. Wachovia Bank, N.A.*, No. 97 cv 5078 (Pa. Ct. Common Pleas, Lackawanna County). In that case, I was retained as an expert by the defendant to testify regarding asset valuation for both the retail arm and the distribution arm of the plaintiff.

9. I have also testified numerous times in many other bankruptcy cases where I have been engaged including:

- a. *In re Seasons Corporate LLC, et al.*, 18-45284-NHL (Bankr. E.D.N.Y.). In that Chapter 11 case commenced by a group of super market retailers, I was retained by the debtors, and approved by the court, as co-CRO. In that capacity, I testified in support of the debtors’ motion to approve

debtor-in-possession financing, and also testified regarding the debtors' cash flow requirements.

- b. *In re Mammoet-Startneth LLC*, 17-12925-LSS (Bankr. D. Del.). In that Chapter 11 case, I was retained by the debtor, and approved by the court, as CRO. In that capacity, I testified regarding the sufficiency of the debtor's bankruptcy filing to rebut assertions that the petition had been filed in bad faith.
- c. *In re Zloop, Inc., et al.*, 15-11660-KG (Bankr. D. Del.). In that Chapter 11 case, I was retained by the debtors, and approved by the court, as CRO. In that capacity, I testified in support of the debtors' motions to approve the sale of the debtors' businesses as a going concern, including the valuation of the debtors' assets.
- d. *In re Moonlight Basin Ranch LP, et al.*, 09-62327-RBK (Bankr. D. Mont.). In nine jointly-administered Chapter 11 cases filed by related entities, I was retained by the debtors, and approved by the court, as CRO. In that capacity, I testified regarding the debtors' request for debtor-in-possession financing and to recover my firm's success fee in connection with obtaining that financing.
- e. *In re O-Cedar Holdings, Inc.*, 03-12667-LSS (Bankr. D. Del.). In that Chapter 11 case, I was retained by the debtor, and approved by the court, as management consultant, financial advisor, and investment banker for the debtor. In that capacity, I testified in support of the debtor's sale of its business as a going concern, including the valuation of that business.

10. In addition to the foregoing, I have been involved in several cases where I did not serve as a testifying expert, but worked on the expert's staff and performed analyses, including valuation analyses that supported the testifying expert's opinion. For example, in *In re DVI, Inc.*, 03-12656-MFW (Bankr. D. Del.), another member of my firm, Frank Melazzo, was the testifying expert. I took the lead in conducting the underlying analysis for Mr. Melazzo's expert testimony, which involved the valuation of loans in the debtor's loan portfolio, as well as the valuation of the debtor's business as a going concern.

11. I am a former president and current advisory board member of the Turnaround Management Association's ("TMA") New York Chapter, as well as a member of the

TMA's Global board serving as Vice President - Education. In 2018, I was inducted into the TMA's Hall of Fame.

12. In addition, I serve as a board member of the American Bankruptcy Institute ("ABI") and am a member of the Association of Corporate Growth. I previously served as a co-chairman of the ABI's Bankruptcy Reform Commission Governance Committee.

13. Annexed hereto as **Exhibit A** is a true and correct copy of my professional biography, which includes a list of my publications.

## **II. MATERIALS CONSIDERED**

14. My opinions are based on the materials referenced in this declaration and in my annexed report and on my 37 years of experience, as described above. The materials I considered included filings by the Debtor in these jointly administered bankruptcy cases, materials produced in this bankruptcy case by the Debtors and by ESL Investments, Inc. ("ESL"), and publicly-available documents.

15. Annexed hereto as **Exhibit B** is a true and correct copy of my expert report in this proceeding, dated June 18, 2019 (the "Report").

16. Annexed hereto as **Exhibit C** is a true and correct copy of the list of materials I have considered in reaching my opinions.

## **III. CASE BACKGROUND**

17. Wilmington Trust serves as the indenture trustee and collateral agent on behalf of the holders (the "Second Lien Noteholders") of the 6-5/8% Senior Secured Notes due

2018 (the “Second Lien Notes”) issued by Sears Holding Corporation (“Sears”) and guaranteed by 28 of its affiliates (collectively, the “Guarantors”).<sup>2</sup>

18. Repayment of the Second Lien Notes is secured pursuant to an Amended and Restated Security Agreement dated as of March 20, 2018 among Sears, the Grantors Party thereto and Wilmington Trust, as Collateral Agent (the “Security Agreement”), which secures repayment of all of the Secured Obligations (as defined in the Security Agreement or “Second Lien Obligations”).

19. On and around October 15, 2018 (the “Petition Date”), Sears, along with 48 of its affiliates (collectively, the “Debtors”), filed for bankruptcy protection pursuant to Chapter 11 of the Federal Bankruptcy Code.

20. On February 11, 2019, Sears consummated the sale of substantially all of its assets to an affiliate of ESL.

#### **IV. SCOPE OF TESTIMONY**

21. I have been retained to analyze and provide my expert opinion in connection with Wilmington Trust’s Request.

22. I have also been asked to review and respond to the opinions set forth in the declarations of the Debtors’ witness, Brian J. Griffith (“Griffith”), dated April 15, 2019, [Dkt. No. 3198] (the “April Griffith Declaration”), and May 26, 2019, [Dkt. No. 4035] (the “May

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<sup>2</sup> The Guarantors are Sears, Roebuck and Co., Kmart Holding Corporation, Kmart Operations LLC, Sears Operations LLC, A&E Factory Service, LLC, A&E Home Delivery, LLC, A&E Lawn & Garden LLC, A&E Signature Service, LLC, Kmart Corporation, Private Brands, Ltd., Sears Holdings Management Corporation, Sears Home Improvement Products, Inc., Sears Protection Company, Sears Roebuck Acceptance Corp., Sears, Roebuck de Puerto Rico, Inc., California Builder Appliances, Inc., Florida Builder Appliances, Inc., KLC, Inc., Sears Protection Company (Florida), L.L.C., Kmart of Washington LLC, Kmart Stores of Illinois LLC, Kmart Stores of Texas LLC, Mygofer LLC, Kmart of Michigan, Inc., SOE, Inc., Starwest, LLC, Kmart.com LLC, and Sears Brands Management Corporation.

Griffith Declaration”; collectively with the April and May Griffith Declarations, the “Griffith Declarations”) who is apparently not proffered as an expert.

23. Since issuing my Report, I have also reviewed the Supplemental Declaration of Brian J. Griffith, dated June 27, 2019, [Dkt. No. 4382] (the “June Griffith Declaration”). I have also been asked to review and respond to the June Griffith Declaration and information obtained during the Griffith deposition on July 10, 2019, which I attended. Nothing in the June Griffith Declaration caused me to change any of the opinions I reached in my Report. Based in part on Mr. Griffith’s deposition testimony, I have revised my calculation of the 2L Collateral by adding Sears Home Services inventory of \$114.6 million, for reasons I explain below. I have also deleted \$123.8 million of undrawn standby letters of credit from the amount owing to the First Lien Secured Parties (as defined in the Security Agreement) on account of the First Lien Obligations (as defined in the Security Agreement).

**V. SUMMARY OF CONCLUSIONS AND OPINIONS**

24. It is my opinion that:
- (a) The Second Lien Notes were fully secured as of the Petition Date;
  - (b) The Second Lien Noteholders have suffered a complete diminution in the value of the collateral securing the Second Lien Notes;
  - (c) Griffith has utilized incorrect methodologies in his analyses and his analyses contain conceptual flaws, resulting in incorrect conclusions as to the value of the Second Lien Noteholders’ secured claims;
  - (d) Griffith’s analyses also do not appropriately reflect § 506(c) expenses; and
  - (e) Griffith’s inappropriate methodologies neither recognize the secured status of, nor compensate, the Second Lien Noteholders for diminution in the value of their collateral of no less than \$89,002,000 in principal amount plus \$2,948,191.25 in accrued and unpaid interest, which is the amount of their secured indebtedness outstanding as of the Petition Date.

## VI. ANALYSIS AND METHODOLOGY

### A. *The Second Lien Noteholders Were Secured as of the Petition Date.*

25. I have prepared an independent assessment of the secured lenders' collateral position as of the Petition Date.

26. Annexed hereto as **Exhibit D** are charts summarizing both my original and revised assessment.

27. As reflected in Exhibit 2 to my Report, based on my assessment, the aggregate value of the collateral securing the First Lien Obligations and the Second Lien Obligations as of the Petition Date totaled \$3,156.5 million. This total consisted of cash of \$116.2 million,<sup>3</sup> \$78.8 million in total accounts receivable, total inventory of \$2,888.7 million, which consisted of \$2,710.8 million in Going Concern inventory sale proceeds, net of expenses from the Go Forward Stores of \$449.9 million, \$627.9 million of Going Out of Business liquidation inventory value (net of expenses) and pharmacy prescription lists ("Scripts") with an asset value of \$72.8 million.

28. This amount significantly exceeded the \$2,807.1 million needed to pay off the First Lien Obligations and the Second Lien Obligations, including the Second Lien Noteholders.

29. Based on my Report, the Second Lien Noteholders were secured as of the Petition Date, with a cushion of approximately \$142.7 million after application of all expenses, including store operating expense, corporate overhead, and professional fees. As described below, however, certain adjustments to the valuation in my Report have increased this cushion.

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<sup>3</sup> The cash would constitute a deduction from the amount owed on the first Lien Obligations.



***B. The Value of the Collateral Should be Based Upon Actual Use***

30. Based upon my experience and my understanding of applicable bankruptcy decisions, for Section 507(b) purposes, collateral should be valued based on how it will be utilized. Thus, inventory should be valued based on how it would be monetized under a debtor's particular circumstances.

31. For example, it is appropriate to value collateral on a going concern basis if the subject entity was to be a going concern, while it would be appropriate to use liquidation value if the subject entity was to liquidate.

32. Here, at the Petition Date, the Debtors had 687 stores, 142 of which were slated to liquidate immediately. Subsequently, 262 stores, in total, were liquidated (the "GOB Stores"), and the remaining 425 were operated on a going concern basis (the "Go Forward Stores"). Accordingly, it is appropriate to use the actual experiences of the Go Forward Stores and the GOB Stores to assess the value of the Debtors' inventory as of the Petition Date.

33. Based on the Debtors' go-forward business plan, and the Go Forward Stores' strong performance metrics in the months leading up to and after the Chapter 11 filing, the Go Forward Stores continued to operate in the ordinary course of business pending a sale of the enterprise as a going concern. *See*, Declaration of Mohsin Y. Meghji, dated February 1, 2019, Dkt. No. 2336 (the "Meghji Declaration"), ¶¶ 6 and 7. Indeed, from the outset of the bankruptcy case, the Debtors expressed the view "that there is a viable path forward for a reorganization around a smaller footprint of profitable stores." Declaration of Robert A. Riecker Pursuant to Rule 1007-2 of Local Bankruptcy Rules for Southern District of New York, dated October 15, 2018, Dkt. No. 3 (the "Riecker Declaration"), ¶¶ 8, 16, 55, 92, 95-99. And "[s]ales

and operations must continue in the ordinary course of business to preserve the value of the Debtors' business . . . . Riecker Declaration ¶¶ 55 and 92.

**C. Key Assumptions in Analysis**

34. Because the collateral securing the First Lien Obligations includes all collateral securing the Second Lien Obligations, plus certain additional items, we assume exclusive first lien collateral, consisting of cash and deposit accounts, except to the extent they constitute proceeds of second lien collateral, are exclusively first lien collateral are applied first against the First Lien Obligations<sup>4</sup> and

35. \$72.8 million of value is ascribed to Customer/Prescription Lists (the "Script") pursuant to the spreadsheet produced by the Debtors in this case as SEARS\_507B\_00001508 (the "Script Spreadsheet"; copy annexed hereto as **Exhibit E**). I understand that this document was produced by the Debtors without any cover email or other documentation indicating when the spreadsheet was created, in response to a document request made by the Holders of Second Lien Obligations seeking, among other things, the value of Script delivered in connection with the ESL sale. Although the document contains no overt date, the metadata contained in the live Script Spreadsheet show that it was created on August 17, 2018 and last updated on September 14, 2018. Accordingly, it appears that it properly reflects the value of the Debtors' Script for their 140 pharmacies in operation at the Petition Date. The Script are properly included in this analysis as collateral securing the Second Lien Obligations as books and records relating to inventory.

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<sup>4</sup> I understand that the Debtors have characterized my testimony as stating that cash is not collateral securing the Second Lien Obligations. That characterization is incorrect. As an initial matter, proceeds from the sale of inventory securing the Second Lien Debt, including cash proceeds, are clearly collateral securing the Second Lien Obligations. Moreover, other cash held by the Debtors at the Petition Date, even if not collateral securing the second lien obligations, would benefit the Second Lien Noteholders by reducing or being available to reduce, the amount of First Lien Obligations outstanding.

36. Collateral available for satisfaction of the First and Second Lien

Obligations include credit card deposits in transit and pharmacy receivables.

37. The Debtors had credit card deposits in transit of \$64.3 million, according to the Schedules of Assets and Liabilities of Sears Holding Corporation, dated January 17, 2019 (Dkt. No. 1609) (the “Schedules”) at pg. 44 and in the Borrowing Base Certificate produced by the Debtors as SEARS\_507B\_00001430 (the “BBC”; copy annexed hereto as **Exhibit F**), which are proceeds of customer sales to be collected in the short term through the credit card processing system.<sup>5</sup>

38. The Debtors also had Pharmacy receivables of \$14.5 million, as reflected in the BBC.

39. Inventory that was liquidated in the 262 GOB Stores should be valued based upon the Debtors’ actual, reported results.

40. The GOB stores achieved a recovery of 96.4% of inventory at cost net of all store expenses, as reflected in ESL\_507B\_000001 (the “GOB Results Spreadsheet”; copy annexed hereto as **Exhibit G**). This percentage is derived by dividing column D (GOB Sales) by the sum of columns E (Goods Available at Cost) and H (Total GOB Expenses).

41. As shown in the GOB Results Spreadsheet, the GOB Liquidation Inventory at cost totaled \$651.6 million. The GOB Stores achieved a net margin (i.e., sales less costs) of approximately 15.9% of sales and expenses of approximately 19.7% of sales.

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<sup>5</sup> The credit card deposits in transit listed in the Schedules and in the BBC are higher than the amount set forth in the BBC, which shows \$54.8 million. The BBC is dated prior to the Petition Date, however, whereas the Schedules reflect the amount of credit card deposits in transit on the Petition Date. The amount in the Schedules is corroborated by the BBC produced by the Debtors. Accordingly, the \$64.3 million in the Debtors Schedules is a more appropriate figure than the lower amount in the pre-Petition Date BBC.

42. The actual 96.4% net recovery was two percentage points higher than the estimated realization as projected by Tiger Valuation Services, LLC (“Tiger”) in its valuation of inventory as of October 6, 2018, produced by the Debtors in this case as SEARS\_507B\_00001287 at 1309 (annexed as Exhibit 3 to the Report).

43. At my deposition taken in this case on July 2, 2019, I discovered that there was an error in the GOB Results Spreadsheet and that the totals reported in columns D, E, and H of the GOB Results Spreadsheet were incorrect.

44. Although I could not discern the reason for the error based on the paper copy of the GOB Results Spreadsheet presented to me at my deposition, when I reviewed the live GOB Results Spreadsheet after my deposition, I discovered that the GOB Results Spreadsheet contained a formula error. For FLS (“Sears”) stores, the formula in the spreadsheet mistakenly added together the entries in the “GOB Sales” column for 10/15/18 FLS (cell D4 in the spreadsheet, \$251.2 million), 11/8/18 Kmart (cell D8 in the spreadsheet, \$40.6 million), and 12/27/18 FLS (cell D10 in the spreadsheet, \$98 million), resulting in a total of \$390.1 million as shown in cell D13 in the spreadsheet. The \$40.6 million of 11/8/18 Kmart “GOB Sales” in cell D8 should not have been included in that total, however. Rather, the formula should have used the 11/8/18 FLS entry (cell D7, \$71.8 million), resulting in total “GOB Sales” for the FLS stores of \$421.2 million.

45. Similarly, to calculate the total “GOB Sales” for the Kmart stores, the formula in the spreadsheet mistakenly added the “GOB Sales” entries for 10/15/18 Kmart (cell D5, \$197.7 million), 11/8/18 FLS+Kmart (cell D9, \$112.3 million), and 12/27/18 Kmart (cell D11, \$74.6 million), resulting in a total of \$384.6 million in cell D14 in the spreadsheet. The \$112.3 million in 11/8/18 FLS+Kmart “GOB Sales” should not have been included in the total,

however. Rather, the formula should have used the 11/8/18 Kmart entry (cell D8, \$40.6 million), resulting in total “GOB Sales” for the Kmart stores of \$312.8 million.

46. The GOB Results Spreadsheet formula then added the erroneous FLS and Kmart “GOB Sales” totals of \$390.1 million and \$384.6 million to reach an incorrect FLS+Kmart total of \$774.6 million in “GOB sales,” in cell D15 in the spreadsheet. The formula should have been set up to add the correct FLS total of \$421.2 million to the correct Kmart total of \$312.8 million, for a combined total of \$734.1 million in “GOB Sales”.

47. The same error was repeated in columns D, E, and H, as well, resulting in erroneous totals for FLS, Kmart, and FLS+Kmart in each column of the GOB Results Spreadsheet.

48. This formula error caused \$34.4 million in inventory to be attributed to the GOB Stores inventory that should have properly been attributed to the Go Forward Stores, resulting in total GOB Stores inventory of \$651.6 million rather than \$617.2 million.

49. The total in column D of the GOB Results Spreadsheet should have been \$734,058,513 instead of \$774,641,623. When 734,058,513 is divided by \$761,233,224, which is the correct sum of columns E and H in the GOB Results Spreadsheet, the resulting percentage recovery (*i.e.*, \$734,058,513 divided by \$761,233,224) is 96.4%.<sup>6</sup> Thus, despite the incorrect totals in the GOB Results Spreadsheet, the corrected totals still show that the net recovery as a percentage of book value of inventory at the GOB Stores remained 96.4%. A copy of the corrected version of the GOB Results Spreadsheet is annexed hereto as **Exhibit H**.

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<sup>6</sup> Counsel for the Debtors asserted during my deposition that an alternative method should be used to calculate “Net Recovery %.” The Debtors posited that the “Total GOB Expenses” (*i.e.*, \$144 million) should be subtracted from the total “GOB Sales” (*i.e.*, \$734.1 million), which then should be divided by the “Goods Available at Cost” (*i.e.*, \$617.2 million). Performing the calculation in this manner results in a net recovery percentage of 95.6%. Although I am not aware of the basis for the Debtors’ alternative calculation, even if I utilized their method, the 0.8% difference between a 96.4% net recovery rate and 95.6% net recovery rate would have a negligible effect on my analysis. The foregoing is particularly true because, as noted above, the corrected figures result in increased Go Forward Stores inventory, which would have a higher rate of recovery.

50. Accordingly, although the GOB Results Spreadsheet formula error caused certain figures in the spreadsheet to be totaled incorrectly, it did not affect the overall net percentage recovery of 96.4% on the Debtors' sale of inventory in its GOB Stores. Moreover, because the corrected GOB Results Spreadsheet shows \$34.4 million less inventory being sold in the GOB Stores, this \$34.4 million of inventory should have remained in my calculation of the Go Forward Stores, where inventory sold at a 29% Gross Margin and which have a net recovery percentage higher than 96.4%.

51. As a result of the changes to the GOB Results Spreadsheet, and the related adjustments in the corporate expense allocated to the GOB Stores and the Go Forward Stores, the overall net change in inventory collateral valuation at the Petition Date is an increase of \$6.7 million.

52. The Debtors planned to continue to operate the remaining 425 retail stores as Going Concern Stores. I have valued the inventory in these Going Concern Stores as follows.

53. Inventory in going concern stores is sold at a 29.0% gross margin as assumed by the Debtors in their Illustrative Wind Down Analysis, produced by the Debtors as SEARS\_507B\_00000076 (the "Wind Down Analysis"; annexed hereto as **Exhibit I**) at pg. 16; Sears Holdings, Official Committee of Unsecured Creditors - Discussion Materials, dated November 12, 2018, annexed hereto as **Exhibit J** and previously annexed as **Exhibit B** to the Declaration of William L. Transier, dated February 1, 2019 (Dkt. No. 2341) (the "Transier Declaration"), at 11, 15.

54. I have utilized the same store expense relationship in the ongoing stores as was reported for the GOB Stores, or 23.3% of inventory at cost. See ESL\_507B\_000001, **Exhibit G**.

55. I have included corporate overhead in my analysis, as both the GOB Stores and Go Forward Stores required some level of corporate expense to oversee and manage operations. Corporate expenses that help to preserve the collateral value for the primary benefit of a secured creditor are also a component of § 506(c) expenses.

56. For this analysis, I accounted for corporate expenses incurred for the benefit of collateral preservation as follows.

57. For the GOB Stores, I used the expenses set forth by Tiger in its estimated liquidation recovery analysis (Exhibit 5 to the Report at SEARS\_507B\_00001309). In its analysis, Tiger reflected non-store costs totaling 3.1% of inventory at cost to conduct and support the liquidation. These costs total approximately \$19.1 million when applied to the GOB Stores.

58. For Go Forward stores, I used 5% of gross sales as the corporate expense component, which is a percentage point higher than the 4% assumed by the Debtors assumed in the Wind Down Recoveries dated January 12, 2019 SEARS\_507B\_00000864 to support the ongoing operations based on my experience in the retail sector. This results in corporate overhead expense of \$138 million.

59. The \$1,959<sup>7</sup> million of Go Forward Store inventory at cost yielded \$2,759.2 million in Go Forward Store inventory sale proceeds at a 29% gross margin. After deduction of \$457.2 million of Going Concern Store expenses, the total inventory value on a going concern basis is \$2,302.0 million.

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<sup>7</sup> In their Schedules, the Debtors reported that their total inventory at cost was \$2,576.2 million. As I discussed at my deposition, this figure properly includes inventory listed as “ineligible” in the BBC because that inventory, although “ineligible” for purposes of reserves established by the First Lien Lenders, still has value.

When the GOB Stores inventory of \$617.2 million is subtracted from the total inventory, the difference is the Go Forward Stores inventory. Total inventory of \$2,576.2 million minus the GOB Stores’ liquidation inventory of \$617.2 million leaves inventory at the Go Forward Stores of \$1,959 million at cost.

60. It is my opinion that the overall result – 4% net operating income before debt service and profit – is reasonable and reflects normalized ongoing operations – 29% gross margin, 20% store expenses, and 5% corporate overhead. This is reasonable based upon my experience in retail organizations, as confirmed on page 11 of Exhibit B to the Transier Declaration.<sup>8</sup>

61. It is my understanding based on discussions with counsel and my review of a spreadsheet showing Letter of Credit draws during the bankruptcy case (the “LC Draw Schedule”) ESL\_507B\_00000021, annexed hereto as **Exhibit K**, that the Debtors’ Stand-Alone Letter of Credit Facility of \$271.1 million (the “Letters of Credit”) had no draws as of the Petition Date. I am aware of relatively minimal draws that occurred post-petition. As there were no draw-downs as of the Petition Date, the Debtors had no repayment obligation in connection with the Letters of Credit as of the Petition Date. I therefore reduced debt obligations senior to the Second Lien Noteholders by \$271.1 million.

#### **Changes Based on Additional Information**

62. My Report did not include \$114.6 million in inventory for “Home Services” shown in the Debtors’ Borrowing Base Certificate as of October 13, 2018. *See* SEARS\_507B\_00001430, annexed hereto as **Exhibit F**, even though the Debtors included 50% of this amount in their calculation of collateral at or near the Petition Date. *Id.* At the time I prepared my Report, I excluded the Home Services inventory from my analysis because I was unsure whether the “Home Services” inventory was already included in the Debtors’ “Total Inventory At Cost” of \$2,576.2 million. I also wanted to be sure that the Home Services Inventory belonged to Sears and the Guarantors. Brian Griffith testified at his deposition on

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<sup>8</sup> In fact, the 4% figure I utilize is more conservative than the 6% figure shown in **Exhibit B** to the Transier Declaration.



July 10, 2019, that the “Home Services” inventory was not included in the “Total Inventory at Cost” of \$2,576.2 million, and because the borrowers under the First Lien Obligations, who are the same borrowers under the Second Lien Obligations, included it in the Borrowing Base with respect to the First Lien Obligations, that confirmed the ownership of the Home Services Inventory in Sears and the Guarantors. Consequently, I have now added the \$114.6 million of Home Services Inventory to my calculation of the aggregate collateral position as of the Filing Date in **Exhibit D**. I believe it is appropriate to include the full \$114.6 million of book value of the Home Services Inventory, but, because this is not store inventory, I have not assumed a 29% gross margin for this inventory.

63. Since preparing my Report, I have also been able to satisfactorily confirm that the additional \$123.8 million of Standby Letters of Credit under the First Lien Credit Facility were also undrawn at the Petition Date. As a result, I have further reduced debt obligations senior to the Second Lien Noteholders by an additional \$123.8 million, for a total reduction of \$394.9 million to \$1,531.8 million.

## **VII. ANALYSIS OF THE DEBTORS’ METHODS AND ASSUMPTIONS**

### **A. Griffith’s Methodology is Incorrect and has Conceptual Flaws**

64. The Debtors rely exclusively on the Griffith Declarations to support their position that the Second Lien Noteholders were undersecured as of the Filing Date and therefore have no Section 507(b) claim, and that even if they have a Section 507(b) claim, Section 506(c) surcharges would reduce that claim to \$0. There are significant flaws in Griffith’s conceptual framework and methodology, however. I have adjusted for these errors and omissions to provide a more accurate picture of the secured lenders’ collateral position as of the Petition Date.

65. I have prepared an analysis in **Exhibit L** that adjusts Griffith’s § 507(b) claim calculation for the following items.

66. **First**, Griffith failed to include certain cash, cash equivalents, and other assets in his assessment of the secured creditors' collateral position as of the Petition Date. The Debtors reported cash balances totaling \$476.4 million per their filed Schedules and Statements of Financial Affairs. This total cash position includes both cash available to the Debtors as well as restricted cash, deposits, and other categories presumed not to be available to the Debtors. It is my opinion that the following categories should have been included in Griffith's analysis:

- (a) Cash on Hand: \$17,549,258;
- (b) Disbursement Accounts: \$1,000,000;
- (c) Depository Accounts: \$2,882,602;
- (d) Concentration Accounts: \$94,769,268;
- (e) Credit Card Deposits in Transit: \$64,279,940; and
- (f) Pharmacy Prescription Lists: \$72,804,891.

67. Categories (a) through (d) total \$116,201,128. Based on my review of the security agreements governing the first and second lien debt, I believe that these categories are all first and/or second lien collateral. Accordingly, this total should have been immediately available to reduce applicable first lien debt as of the Petition Date.

68. There is a substantial balance of credit card deposits in transit, item (e) above, which had not yet been received by the Debtors on the Petition Date. These were scheduled by the Debtors as cash equivalents but deposits in transit are effectively accounts receivable to be collected within days. Again, based on my review of the security agreements governing the first and second lien debt, these credit card deposits were first and/or second lien collateral. Therefore, I have included a cash addback adjustment of \$64,279,940 on **Exhibit L**.

69. Additionally, there are Pharmacy Prescription Lists, item (f) above, with an estimated value of \$72,804,891, which are included in the collateral for the reasons described above. These have also been added back in **Exhibit L**.

70. **Second**, while Griffith did not included any cash in his analysis, which would lower the First Lien Debt, he does include \$394.9 million of Standby Letters of Credit, repayment of which would be senior to the Second Lien Notes. In the Griffith analysis, these Standby Letters of Credit are shown as being paid from the liquidation of accounts receivable and inventory. This approach is incorrect and inconsistent with the actual use of the Standby Letters of the Credit.

71. My understanding through discussions with counsel and review of the LC Draw Schedule is that these Letters of Credit were all undrawn stand-by letters of credit, and did not require repayment, as of the Petition Date. In other words, there had been no draws on these Standby Letters of Credit as of the Petition Date, so the Debtors had not incurred any obligation to repay the undrawn amount of the Standby Letters of Credit as of the Petition Date. Because Griffith erroneously assumed a repayment obligation where none existed, he overstated the senior debt by at least \$394.9 million. I have adjusted for this item and reflected it as an addback adjustment on **Exhibit L**.

72. In the June Griffith Declaration, Griffith asserts that the letters of credit should be treated as if they had been drawn down because “[i]n a liquidation scenario, letters of credit are almost always fully drawn or cash collateralized because leaving undrawn amounts exposes the counter-parties.” June Griffith Declaration ¶ 13. As an initial matter, based upon my decades of experience, I disagree with Griffith’s assertion that letters of credit are “almost always fully drawn or cash collateralized” during a liquidation.

73. In any event, Griffith's assertion is irrelevant because there was no liquidation here. Accordingly, the Letters of Credit did not reduce the amount of collateral available on the Petition Date for the Second Lien Obligations.

74. **Third**, Griffith applies a deeply discounted 85% of book value valuation of the collateral at the Petition Date, which he purports to derive from the Debtors' Asset Purchase Agreement ("APA") with ESL.

75. Griffith applied this 85% of book value valuation to all of the Debtors' inventory, notwithstanding the Debtors' actual experience at the GOB Stores, which yielded 96.4% of book value, and higher margins at the Go Forward Stores.

76. The 85% of cost recovery level does not reflect the Debtors' actual GOB Store results for the liquidation of 262 stores since the Petition Date. The Debtors reported actual net recovery on inventory at GOB Stores of 96.4% of cost (*see* GOB Spreadsheet, net of all GOB Store expenses. These results were two percentage points higher than the 94.4% of cost projected by Tiger (*see* Exhibit 3 to the Report at SEARS\_507B\_00001309) based upon a liquidation beginning on or about the Petition Date.

77. The actual recovery at 96.4% of cost is approximately 11.4 percentage points higher than Griffith's assumption. Applying it here would add \$306.8 million to Griffith's inventory value using Griffith's book value of inventory at the Petition Date.<sup>9</sup>

78. In my opinion, based on the performance of the 262 GOB Stores, it is reasonable to assume that if all remaining stores were liquidated in the same timeframe as the 262 GOB Stores, they would have achieved comparable results and any suggestion that the market would be flooded with inventory is simply not correct. I have concluded that the

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<sup>9</sup> \$2.691 billion x 0.114 = \$306.8 million.

inventory, even in liquidation, would yield an amount significantly higher than what Griffith has assumed. Accordingly, I have adjusted Griffith's analysis on **Exhibit L** with an addback of \$306.8 million.

79. Moreover, 85% is not an appropriate valuation for the collateral at the Petition Date because it arose during a non-competitive credit bid process in which the Debtors admit ESL provided the only true bid for purchase of the Debtors' business as a going concern which was then measured against a hypothetical liquidation analysis (which apparently did not reflect the Debtors' actual GOB Store Results).

80. Further, based upon my review of the June Griffith Declaration and questioning by Debtors' counsel at my deposition on July 2, 2019, I understand that Griffith arrived at the 85% figure by: (a) taking \$1,408,000,000 which was the amount of cash listed as one component (among many) of the purchase price set forth in the APA for the Transform sale, and (b) dividing that amount by \$1,657,000,000 of acquired inventory, credit card receivables, and pharmacy receivables at book value to be delivered by the Debtors to Transform under the APA as a condition to the Buyer's obligation to close. Griffith's calculation is erroneous because, among other things, the \$1.408 billion set forth in Section 3.1(a)(i) of the APA is only one component of the purchase price, is reduced, according to the APA, by other clauses of Section 3.1(a) and was not allocated to any particular assets sold pursuant to the APA.

81. Moreover, Griffith's valuation of the inventory as part of the ESL sale is irrelevant no matter what percentage of book value may have been paid at closing because the sale took place months after the Petition Date, and fails to recognize that the Debtors sold billions of dollars of inventory at retail prices in the Go Forward Stores between the Petition Date and the Sale Date. Accordingly, any valuation attributable to the collateral based on the

ESL sale does not provide a valuation properly applied to the value of the collateral on the Petition Date.

82. Moreover, the Debtors assumed gross margins in the Go Forward Stores prior to the ESL sale in the range of 29%. *E.g.*, Illustrative Wind Down Analysis, **Exhibit I**, at SEARS\_507B\_00000078; Sears Holdings, Official Committee of Unsecured Creditors - Discussion Materials, **Exhibit J**, at 11, 15 The 262 GOB Stores achieved gross recovery of approximately 118.9% of cost value of inventory before expenses during their liquidation. *See* ESL\_507B\_00000001, **Exhibit G**. This equates to a retail gross margin of approximately 15.9% ( $18.9/118.9 = 15.9$ ).

83. The Go Forward Stores' inventory was approximately \$2.497 billion at cost on the Petition Date, as shown on **Exhibit D**. If the goods were to be sold in a going concern environment based on the 29% gross margins pursuant to Debtors' business plan, the inventory would yield 13.1% more than the inventory in the GOB Stores.<sup>10</sup> I have added this 13.1% to the value of the Go Forward Stores inventory to reflect the increase in normalized retail gross margin associated with a going concern relative to liquidation value. This results in an adjustment addback of \$271.7 million in Exhibit 3 and 4 to the Report.

84. **Fourth**, even if some additional amount of Section 506(c) costs may be applicable in addition to \$656.6 million of costs I have already applied, as set forth on Exhibit 4 to the Report, there is approximately \$361.8 million of cushion, *i.e.*, value in excess of the amount needed to pay all Second Lien Obligations, including the Second Lien Noteholders, as of the Petition Date.

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<sup>10</sup>  $29.0\% - 15.9\% = 13.1\%$ . Store expenses are already included in the actual GOB Store recovery rate.

85. In a full liquidation per Tiger 's recovery analysis, expenses to support the GOB Stores process, including corporate expenses, base liquidation fees, royalties, and other closing costs were estimated to total 3.1% of inventory cost, or approximately \$83.4 million assuming \$2.691 billion of inventory as of the Petition Date. This would still leave a net cushion of approximately \$278.4 million, which could absorb expenses before any second lien creditor became impaired.

***B. The Second Lien Noteholders Were Fully Secured as of the Petition Date***

86. The first, second, third, and fourth items above would add \$1.227 billion in value to Griffith's analysis, increasing the collateral available for all holders of Second Lien Obligations from \$430 million to \$1.657 billion. The Second Lien Obligations per Griffith totals \$1.078 billion. April Griffith Declaration at **Exhibit A**. The outstanding debt owed to the Second Lien Noteholders is \$91,950,191.25, which includes \$89,002,000 in principal amount plus \$2,948,191.25 in accrued and unpaid interest as of the Petition Date. It is my opinion that the holders of Second Lien Obligations, including the Second Lien Noteholders, were fully secured as of the Petition Date, as there is substantial cushion of excess value totaling \$487 million.

***C. There has Been a Complete Diminution in the Value of The Second Lien Collateral***

87. Based upon my understanding of the Debtors' prospective plan of reorganization, the full amount of claims asserted by the second lien creditors, including the Second Lien Noteholders, would be treated as general unsecured claims based on their alleged secured "deficiency." In other words, the Debtors value the collateral available to the Second Lien Noteholders and other second lien creditors at \$0. Accordingly, based upon the Debtors'

own analysis, the Second Lien Noteholders have suffered a complete diminution in the value of their collateral from the Petition Date to the present.

88. Under the Debtors' current proposed plan to treat second lien creditors as holding general unsecured claims, recoveries, if any, would be based on the success of various lawsuits that may be prosecuted by the Debtors, primarily against affiliates of ESL. Any recoveries to be realized in such litigations are speculative by nature, would likely take years to achieve, would have significant associated costs, including fees for the Debtors' litigation counsel, and would be shared in a *pro rata* manner among creditors holding general unsecured claims totaling many billions of dollars. As a result, litigation recoveries would need to be very significant in order to repay even a small amount of the Second Lien Noteholders' claims.

**D. Griffith Does not Reflect Section 506(c) Expenses Appropriately**

89. Griffith presents an amount totaling \$1.451 billion in Section 506(c) surcharges. This amount appears to include virtually all of the operating costs of the Debtors less GOB Store expenses during the relevant period. *See id.* at ¶¶ 18-23. I disagree with several aspects of Griffith's approach and his opinion.

90. As discussed above, Griffith uses an 85% net recovery for inventory in his model that he purports to derive from the Debtors' sale to ESL. This recovery rate already theoretically incorporates the costs of operating GOB Stores, the bulk of expense incurred during a complete liquidation process, resulting in an 85% net recovery. Griffith then includes many of these same expenses as Section 506(c) surcharges. Thus, Griffith has double counted a massive but unquantifiable amount of expenses, the same expenses (albeit apples and oranges) that are built into both the net liquidation recovery rate and then counted again as Section 506(c) expenses.



91. The Debtors failed to provide the specific breakdown of, or specific supporting information for, their claimed Section 506(c) surcharges. Instead, the Debtors produced all expenses for all of the Debtors for the entire period, leaving me to guess as to which expenses are included in the Debtors' § 506(c) surcharges. Even in the June Griffith Declaration, Griffith continues to provide only a high-level overview of the claimed § 506(c) surcharges. June Griffith Declaration ¶¶ 18-25, and it appears from his deposition testimony that he never prepared a specific breakdown of expenses to support his assertions.

92. I understand that 11 U.S.C. § 506(c) expenses include certain professional fees that are incurred in support of the process to monetize or preserve collateral. Griffith included \$51 million in professional fees as § 506(c) expenses in the Griffith Declaration. Based on Griffith's deposition testimony, he does not appear to have actually calculated the \$51 million he uses, so this amount is unreliable and should likely be reduced.

93. Generally speaking, moreover, not all professional fees incurred by a debtor's professionals relate to collateral preservation. Based on my experience, including my experience as a CRO acting on behalf of debtors in bankruptcy, there are many aspects of the Chapter 11 process that may not provide any benefit, or limited benefit, to a secured creditor such as the Second Lien Noteholders. In my experience, these aspects of the Chapter 11 process could include work relating to the business aspects of the continuation of the Debtors' business, financing issues, employment issues, real estate sales and lease negotiations, customer and employee issues and other issues. In the bankruptcy cases I have been involved with, these types of expenses are typically for the primary benefit of the Debtors and other stakeholders, such as the Debtors' employees, landlords, and vendors. In my experience, such expenses also go, in

many cases, to preserving things other than inventory, such as real estate and intellectual property.

94. Based upon my analysis, reflected in Exhibit 3 to my Report, there was \$387.8 million of collateral value in excess of the amount needed to pay all of the Debtors' first lien and second lien debt as of the Petition Date. This amount is net of store expenses, corporate overhead, and Section 506(c) expenses. Accordingly, it is my opinion that the Second Lien Noteholders were fully secured as of the Petition Date.

#### **VIII. THE EXPERT REPORTS SUBMITTED BY ESL AND CYRUS CONFIRM MY OPINIONS**

95. Following the issuance of my Report, I reviewed the Expert Report of Marti P. Murray, dated June 18, 2019 (the "Murray Report"), submitted by Cyrus Capital Partners, LP ("Cyrus"), and the Expert Report of David M. Schulte, dated June 18, 2019 (the "Schulte Report"), submitted by ESL.

96. In certain instances the Murray and Schulte Reports utilize numbers that are different than the numbers I utilize here and in my Report. In some instances, these differences result from my use of different sources in performing my calculations than the sources Murray and Schulte used. All of these sources came from the Debtors, and in some cases reflect inconsistencies in the Debtors' own reporting. As described further below, Murray and Schulte also treated certain inventory identified by the Debtors and certain letters of credit differently than I did in my Report. In addition, Murray and Schulte utilized a different valuation methodology than the one I utilized.

97. Despite these differences, the overall conclusions Murray and Schulte reached are consistent with, and reinforce, my own opinions.

98. For example, Murray also found that the 88.7% valuation provided by Tiger was an appropriate, albeit conservative guidepost to analyze the valuation of the Second Lien Noteholders' collateral, which is higher than the 85% valuation the Debtors apply. Murray Report at 6, 28-34. Murray found that the appropriate valuation may, in fact, be much higher than 88.7%, consistent with my opinion. *See, e.g., id.* at 5, 7, 8, 22, 41.

99. Murray also concluded, as I did, that the potential amount available to be drawn on the Letters of Credit did not reduce the amount of collateral available to the Second Lien Noteholders on the Petition Date, since there is no evidence to suggest that the letters were drawn. Murray Report at 12-15. I heard Griffith testify at his deposition on July 10, 2019 that he has no knowledge of any draws on the letters of credit.

100. In fact, Murray went further than I originally did in my Report. In addition to excluding the \$271.1 million in Letters of Credit, Murray excluded an additional \$123.8 million in letters of credit issued under the pre-petition ABL facility (the "ABL Letters of Credit"). In my Report, because I did not then know whether the ABL Letters of Credit had, in fact, been drawn, I erred on the side of being conservative and did not deduct them from the First Lien Obligations. Removing these letters would actually increase by \$123.8 million the \$362 million cushion of excess value I identified in my Report, further benefitting the Second Lien Noteholders. *See* Murray Report at 11-15. Based upon Griffith's deposition testimony and further investigation, I have updated my analysis to exclude these additional letters of credit, as reflected in **Exhibit D**.

101. Schulte agreed with me that the collateral should be valued based upon its actual or intended use, using net retail value for his figure, rather than the 85% valuation purportedly derived from the ESL sale that Griffith assumed. Schulte Report at 9-12. As I did

above, Schulte relied upon, among other things, Tiger's estimates, showing a projected recovery after costs of 94.4%, and the actual experiences of the GOB Stores, which had a 96.4% recovery after costs. *Id.* at 14-15.

102. Schulte also agreed that the Letters of Credit should be excluded from any calculation of the collateral available to the Second Lien Noteholders as of the Petition Date, given that the Letters of Credit were undrawn. *Id.* at 12-13. Like Murray, Schulte excluded the ABL Letters of Credit, which increases the amount of cushion for the Second Lien Noteholders I initially identified in the Report. *See id.*

103. Schulte also agreed with me that the Second Lien Noteholders suffered a diminution in value of \$718 million. *Id.* at 14, 17-18.

## **IX. CONCLUSION**

104. It is my opinion that the Second Lien Noteholders were completely secured as of the Petition Date, but have since suffered a complete diminution in the value of their collateral.

105. The outstanding Second Lien Debt, which was approximately \$1.151 billion at the Petition Date, was reduced by \$433.5 million as a result of the Debtors' sale to ESL, leaving a balance of \$718 million that included the Second Lien Noteholders. Accordingly, the Second Lien Creditors have suffered a diminution in value of their collateral in the amount of \$718 million, including the \$89,002,000 in principal amount plus \$2,948,191.25 in accrued and unpaid interest as of the Petition Date owed to Wilmington Trust on account of the Second Lien Notes.

106. Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief.

Executed on July 18, 2019

/s/ William Henrich

William Henrich

# Exhibit A



## William H. Henrich

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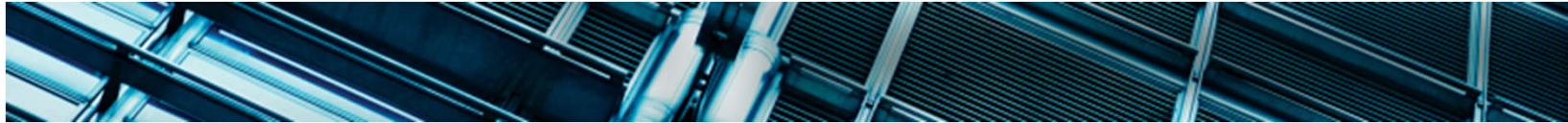


**William H. Henrich**, co-chairman of Getzler Henrich, one of the leading corporate restructuring firms in the U.S. focused on middle market companies. The restructuring industry publication "*Workouts and Turnarounds*" has named Getzler Henrich one of the Top US Turnaround firms for many consecutive years. With more than thirty years of experience, including more than 400 engagements, in turnaround and crisis management, loan workout, bankruptcy consulting and performance improvement, specific areas of expertise include:

- ❑ Operational restructuring, improving business operations, management practices, cash flow, and profitability
- ❑ Financial restructuring, negotiating and implementing corporate finance solutions including debt restructuring, refinancing, and distressed mergers and acquisitions
- ❑ Evaluating/crafting company operations, business plans, and financial projections
- ❑ Guiding companies through workout, turnaround and Chapter 11 processes and maximizing their value and recovery for stakeholders, including as CRO or interim CEO
- ❑ Advising secured and unsecured creditors during Chapter 11 bankruptcy proceedings, including developing plans of reorganization and providing bankruptcy forensic analysis to support litigation

Prior to joining Getzler Henrich, Mr. Henrich was managing director and founder of the New York practice of a prominent middle-market corporate restructuring firm. He also served in Arthur Andersen's corporate recovery services group. In 1982, Mr. Henrich started Andersen's New York bankruptcy and restructuring practice and was a member of the core Partner group responsible for establishing policy and directing the practice nationwide. Mr. Henrich also held senior executive finance, operational and sales/marketing positions with Arrow Electronics, the world's largest electronics distribution company. His efforts helped the company significantly reduce operating costs, improve market penetration and increase profitability.

Mr. Henrich is a former president and current advisory board member of the Turnaround Management Association's New York chapter, current TMA Global board member and VP - Education, Board member of the American Bankruptcy Institute ("ABI"), member of the Association of Corporate Growth and frequently lectures and writes on turnaround and bankruptcy issues. Mr. Henrich served as Co-Chairman of the ABI's Bankruptcy Reform Commission Governance Committee. A certified public accountant, he also holds a master's degree in business administration from Harvard Business School and a bachelor's degree from Baruch College, City University of New York.



## William H. Henrich (cont.)

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In September 2018, Mr. Henrich was inducted in Turnaround Management Association's Hall of Fame. This prestigious honor is bestowed every five years by the TMA to recognize those unique restructuring practitioners who, through their individual contributions, have increased the stature, visibility, and respect of the turnaround and restructuring industry and have made a lasting and positive impact to the industry. Named by *Turnaround and Workout* Magazine in its feature "People to Watch - Business Professionals Making Their Mark," Among many companies for whom interim management was provided, Mr. Henrich served as CRO of Marcal Paper, Moonlight Basin, National Envelope and a world-wide consumer packaging component corporation, yielding substantial creditor recoveries.

Mr. Henrich also currently serves as Independent Board member for Custom Ecology, Inc. and Emtec, Inc.; he similarly served for Empire CLS, National Label Company, Coyne Textile Service and Daticon Inc.; he was the Sole Managing Member of Direct Access Group to direct its efforts to maximize value for stakeholders.

### **Published Articles**

Loan Today, Gone Tomorrow? Going Beyond Traditional Assessment Techniques  
The Shifting Scales of Bankruptcy – Fact or Fiction?  
Low Interest Rates Could Be Masking Performance Problems  
The Role of the CRO in Debtor/Lender Communications in Bankruptcy  
The Hidden Psychology of a Corporate Turnaround  
The Nuts and Bolts of a Turnaround  
The Perfect Pairing: Asset-Based Lenders Working with Equity Sponsors  
Change Buffets the Restructuring Industry  
Dressing Up a Company For Sale  
Are the Dog Days Nearly Over...Or Just Beginning (State of the Industry)  
Mediating Valuation Disputes



# Exhibit B

**Expert Report of William Henrich in Connection  
with Assessment of § 507(b) Adequate Protection  
Claims Asserted by Wilmington Trust, National  
Association**

Expert Report of William Henrich in Connection with Assessment of § 507(b) Adequate Protection Claims Asserted by Wilmington Trust, National Association (“Wilmington Trust”), as indenture trustee and collateral agent for and on behalf of the Second Lien Noteholders (the “Second Lien Noteholders”)

**Qualifications:**

I have practiced as a financial and restructuring advisor, chief restructuring officer, and turnaround specialist working in the field of bankruptcy and reorganizations, insolvency, and related litigation for the past 37 years. I am co-Chairman of Getzler Henrich & Associates LLC (“GH”), which specializes in providing such services to distressed companies, debtors, creditors, lenders, equity participants, and others. I have been involved in more than 400 engagements during my career and I have great familiarity with the issues involved in this matter, as well as the methods to be used to evaluate and assess the claims asserted by Wilmington Trust. I have testified previously as a witness in numerous bankruptcy matters more than 20 times.

**Materials Considered:**

My opinions are based on the materials referenced in my report and my 37 years of experience, as described above. The materials included filings by the Debtor and relevant schedules as well as the expert witness report of Debtors’ expert Brian J. Griffith. A list of the materials I have considered is included in Appendix A to this report.

**Case Background and Causes of Action:**

On and around October 15, 2018 (the “Petition Date”), Sears Holdings Corporation, along with 48 of its affiliates (collectively “Sears” or “Debtors”), filed for bankruptcy protection pursuant to Chapter 11 of the Federal Bankruptcy Code. On February 11, 2019, Sears consummated the sale of substantially all remaining assets to an affiliate of ESL Investments, Inc. (“ESL”). I have been retained to analyze and provide my expert opinion in connection with Wilmington Trust’s motion on behalf of the Second Lien Noteholders for super-priority Adequate Protection Claims pursuant to Bankruptcy Code § 507(b) as a result of damages suffered during these Chapter 11 proceedings. I have also been asked to review and respond to the opinions set forth in the declarations of Debtors’ purported expert, Brian J. Griffith (“Griffith”), dated April 15, 2019, Dkt. No. 3198, and May 26, 2019, Dkt. No. 4035, (collectively the “Griffith Declarations”).

**Conclusion and Opinions - §507(b):**

It is my opinion that:

1. The Second Lien Noteholders were, in fact, fully secured as of the Petition Date,
2. The Second Lien Noteholders have suffered a complete diminution in the value of their collateral,

3. Griffith has utilized incorrect methodologies in his analyses and his analyses contain conceptual flaws, resulting in incorrect conclusions as to the value of the Second Lien Noteholders' claims. His analyses also do not reflect appropriately § 506(c) expenses,
4. the Debtors' inappropriate methodologies neither recognize the secured status nor compensate the Second Lien Noteholders for diminution in the value of their collateral of no less than \$89 million, their secured indebtedness outstanding as of the Petition Date.

### **Analysis and Methodology:**

#### **Summary of GH Method and Assumptions**

I have prepared an independent assessment of the secured lenders' collateral position as of the Petition Date. As can be seen in Exhibit 2, based on this assessment, the aggregate collateral position as of the Petition Date totals \$3.157 billion. This amount significantly exceeds \$2.807 billion, the amount needed to pay off the first lien debt and the total Second Lien Debt including the Second Lien Noteholders. The Second Lien Noteholders were secured as of the Petition Date, with a cushion of approximately \$142.7 million after application of all expenses, including store operating expense, corporate overhead, and professional fees.

My understanding, driven by experience and review of previous bankruptcy cases, of the correct basis to determine an appropriate valuation for § 507(b) purposes is that the collateral should first reflect the context in which it will be utilized. Thus, an asset such as inventory should be valued based on how it would be monetized under a debtor's particular circumstances. For example, it is appropriate to use liquidation value if the subject entity were to be undergoing a liquidation. Alternatively, one would base value on a going concern basis if the subject entity were to be a going concern. In the Sears bankruptcy, 262 stores were liquidated (the "GOB" Stores"), and the remainder sold as a going concern (the "Go Forward Stores"). As such, I have based the asset realizations accordingly. Based on the Debtors' Go Forward business plan, the ESL plan largely mirroring the Debtors' plan, and the Debtors' strong performance metrics in the Go Forward Stores in the months leading up to and after the Chapter 11 filing (per the Declaration of Mohsin Y. Meghji, dated February 1, 2019, Dkt. No. 2336 (the "Meghji Declaration")), the Go Forward Stores continued in the ordinary course pending a sale of the enterprise as a going concern.

I have made certain key assumptions in this analysis:

- Because First Lien Collateral includes all Second Lien Collateral plus additional sources, exclusive First Lien Collateral is consumed first:
  - Key exclusive First Lien Collateral, except to the extent of constituting proceeds of Second Lien Collateral, are Cash and Deposit Accounts (see Third Amended and Restated Credit Agreement, dated as of July 21, 2015, as amended); and

- \$72.8 million of value is ascribed to Customer/Prescription Lists per the Debtors' analysis reflected in the spreadsheet produced as SEARS\_507B\_00001508, and therefore the Customer/Prescription Lists are properly included in this analysis as documents relating to inventory;
- Accounts Receivable to be realized include Credit Card Deposits in Transit and Pharmacy Receivables:
  - Credit Card Deposits in Transit of \$64.3 million, as reflected in the Schedules of Assets and Liabilities of Sears Holding Corporation, dated January 17, 2019 (Dkt. No. 1609) (the "Schedules") at pg. 44 and in the document produced by the Debtors as SEARS\_507B\_00001430, which are customer sales to be collected in short order through the credit card processing system;
  - Pharmacy receivables of \$14.5 million, as reflected in the document produced by the Debtors as SEARS\_507B\_00001430;
  - I have not included Accounts Receivable from any other category, however, I reserve the right to amend this analysis in the event that additional information is received that changes my current opinion.
- Inventory is liquidated in the 262 GOB Stores based on the Debtors' reported actual results:
  - The GOB stores achieved a recovery of 96.4% of inventory at cost net of all store expenses, as reflected in the GOB\_Recovery Rates\_Post Ch 11 produced by the Debtors and provided to me by counsel for Wilmington Trust;
  - The Debtors reported that the GOB's achieved Gross Margin of approximately 15.9% of sales and expenses of approximately 19.7% of sales;
  - The actual 96.4% net recovery was two percentage points better than the estimated realization as projected by Tiger Valuation Services, LLC ("Tiger") in its inventory date October 6, 2018 report, produced by the Debtors as SEARS\_507B\_1287.
  - The Debtors generated approximately \$622.3 million from the GOB store liquidations, as reflected in the GOB\_Recovery Rates\_Post Ch 11 produced by the Debtors and provided to me by counsel for Wilmington Trust.
- The Debtors planned to continue to operate the remaining retail stores. I have valued the inventory in these ongoing stores based on the following:

- Inventory in going concern stores is sold at a 29.0% gross margin per the Debtor's January 30, 2019 Project Blue Report, Go Forward Business Plan, et al.
  - Based upon my analysis, I have utilized the same store expense relationship in the ongoing stores as was reported for the GOB's, or 23.4% of inventory at cost.
- I have included an amount of corporate overhead in my analysis as both the 262 GOB stores and the ongoing stores require some level of corporate expense to oversee and manage operations. Corporate expenses that help to preserve the collateral value are a component of § 506(c) expenses. For this analysis, I used the following to account for corporate expenses incurred for the benefit of collateral preservation:
  - For the GOB stores, I used the expenses set forth by Tiger in its estimated liquidation recovery analysis (Exhibit 5, SEARS\_507B\_00001309). In its analysis, Tiger reflected non-store costs totaling 3.1% of inventory at cost to conduct and support the liquidation. These costs total approximately \$20.2 million when applied to the GOB's.
  - For ongoing stores, I used a metric based on my experience in the retail sector. Rather than the 3.1% of inventory cost used for the GOB's, I have used a much larger amount to represent the greater costs of operating a going concern. In this instance, I have used 5% of gross sales as the corporate expense component to support the ongoing operations. This corporate overhead amount totals \$135.5 million. Additional or new information may determine that some of this amount may not be applicable as § 506(c) expenses. I reserve the right to revise my opinion if necessary based upon any new or additional information that is provided to me.
  - The ongoing stores provide an overall inventory value of \$2.261 billion.
  - It is my opinion that the overall result – 4% net operating income before debt service and profit – is reasonable and reflects normalized ongoing operations – 29% gross margin, 20% store expenses, and 5% corporate overhead. This is reasonable based upon my experience in retail organizations, as reflected in the Declaration of William L. Transier, dated February 1, 2019 (Dkt. No. 2341) (the "Transier Declaration"), at pg. 37.
  - It is my understanding that the Stand-Alone L/C Facility (\$271.1 million) had no draws as of the Petition Date. I am aware of minimal draws that occurred post-petition. As there was no exposure as of the Petition Date, there is no payment obligation in connection with the Stand-Alone L/C Facility and I have reduced debt obligations senior to the Second Lien Debt by \$271.1 million.

I understand that § 506(c) expenses include certain professional fees which are incurred in support of the process to monetize or preserve the collateral. Griffith included \$51 million in professional fees as § 506(c) expenses in the Griffith Declaration. I do not have the ability to determine the appropriateness of such amount, but not all professional fees incurred relate to the issues of collateral preservation or otherwise were for the Second Lien Grantors benefit. There are many aspects of the Chapter 11 process that may not provide any benefit to a secured creditor such as the Second Lien Noteholders. Until I obtain such additional information that might cause me to revise my opinion, I have used Mr. Griffith's professional fee total.

Based upon the analysis in Exhibit 2, there is \$142.7 million of value in excess of the amount needed to pay all First Lien and Second Lien Debt as of the Petition Date. This amount incorporates store expenses, corporate overhead, and § 506(c) expenses. Accordingly, it is my opinion that the Second Lien Noteholders were secured as of the Petition Date.

### **GH Analysis of Debtors' Methods and Assumptions**

#### **1. Griffith's methodology is incorrect and has conceptual flaws**

Griffith has major flaws in his conceptual framework and methodology. I have adjusted for these errors and omissions to provide a more accurate picture of the secured lenders' collateral position as of the Petition Date. I have prepared an analysis in Exhibit 3 that adjusts Griffith's § 507(b) claim calculation for the following items:

- A. Griffith fails to include certain cash and cash equivalents in his assessment of the secured creditors' collateral position as of the Petition Date. The Debtors reported cash balances totaling \$476.4 million per the filed Schedules and Statements. This total cash position includes both cash available to the Debtors as well as restricted cash, deposits, and other categories presumed not to be available to the Debtors. It is my opinion that the following cash categories (i) through (iv) should have been included in Griffith's analysis:
  - i. Cash on Hand: \$17,549,258;
  - ii. Disbursement Accounts: \$1,000,000;
  - iii. Depository Accounts: \$2,882,602;
  - iv. Concentration Accounts: \$94,769,268;
  - v. Credit Card Deposits in Transit: \$64,279,940; and
  - vi. Pharmacy Prescription Lists: \$72,804,891.

Categories (i) through (iv) total \$116,201,128. This total should have been immediately available to reduce applicable debt as of the Petition Date. There is a substantial balance of credit card deposits in transit, item (v) above, which have not yet been received by the Debtors. These were scheduled by the Debtors as cash equivalents but deposits in transit are effectively

accounts receivable to be collected within days. Therefore, I have included a cash addback adjustment of \$64,279,940 on Exhibit 3. Additionally, there are Pharmacy Prescription Lists, item (vi) above, with an estimated value of \$72,804,891 which are included in the First Lien Collateral. These have also been added back in Exhibit 3.

- B. While Griffith has not included any cash in his analysis, he does reflect the corresponding paydown of the \$271 million Stand-Alone L/C Facility which is senior to the Second Lien Notes. In the Griffith analysis, this Stand-Alone L/C Facility debt is shown as being paid from the liquidation of Accounts Receivable and Inventory. This appears to be an incorrect and inconsistent conceptual framework. My understanding through discussions with counsel is that these L/C's were all undrawn stand-by letters of credit and did not require payment as of the Petition Date. The Griffith analysis therefore overstates the senior debt by \$271 million. I have adjusted for this item and reflected it as an addback adjustment on Exhibit 3.
- C. To value inventory as part of his determination of the opening valuation of the collateral, Griffith applies the ESL sale valuation, a deeply discounted liquidation basis with net recovery at 85% of cost. He applies this liquidation basis of recovery across the entire Debtor notwithstanding that the remainder of the Debtors' non-GOB inventory was fully intended to be sold in the ordinary course of business and not in a liquidation sale. In addition, the 85% of cost recovery level does not even reflect the Debtors' own recent actual GOB results for the liquidation of 262 stores. The Debtors reported actual net recovery for inventory of 96.4% of cost (see Exhibit 4: GOB Recovery Rates – Actual), net of all GOB store expenses. These results were two percentage points higher than the 94.4% of cost projected by Tiger (see Exhibit 5: Inventory Date October 6, 2018 report – Est. Recovery Values on Retail Store GOB Inventory) based on a liquidation beginning on or about the Petition Date. More significantly, the actual recovery at 96.4% of cost is approximately 11.4 percentage points higher than Griffith's assumption and would add \$306.8 million to Griffith's inventory value using Griffith's book value of inventory ( $\$2.691 \text{ billion} \times 0.114 = \$306.8 \text{ million}$ ) at the Petition Date. In my opinion, based on the performance of the 262 GOB stores, it is reasonable to assume that if all remaining stores were liquidated in the same timeframe as the 262 stores, they would have achieved comparable results. I have concluded that the inventory, even in liquidation, would yield an amount significantly higher than what Griffith has recognized. Accordingly, I have adjusted Griffith's analysis on Exhibit 3 with an addback adjustment of \$306.8 million.
- D. Based upon my review of the Transier Declaration, the Declaration of Alan J. Carr, dated February 1, 2019 (Dkt. No. 2321), and the Meghji Declaration, which make clear that the Debtors' business was intended to be operated as a going concern, it stands to reason that inventory in the Go Forward Stores, the stores actually acquired by ESL, would be worth more than the inventory in stores participating in a liquidation. The debtor has reported gross margins in the Go Forward Stores prior to the ESL sale in the range of 29%. The Gross Margin percentage in the debtors' business plans for Go Forward Stores was 29%. The 262 GOB Stores achieved gross recovery of approximately 118.9% of cost value of inventory before expenses during their liquidation. This equates to a retail gross margin of approximately 15.9%



( $18.9/118.9 = 15.9$ ). The non-GOB inventory was approximately \$2.04 billion at cost on the Petition date (\$2.691 billion Total Inventory - \$651.6 million GOB Stores Inventory at cost = \$2.04 billion). If the goods were to be sold in a going concern environment based on the 29% gross margins per the debtors' business plans, the inventory would yield an incremental 13.1% ( $29.0\% - 15.9\% = 13.1\%$ ). Store expenses are already included in the actual GOB recovery rate. I have added this 13.1% to the value of the Go Forward inventory to reflect the increase in normalized retail gross margin associated with a going concern vs. liquidation value. This results in an adjustment addback of \$267.2 million in Exhibit 3.

- E. It should be noted that some amount of 506(c) costs may be applicable. Based on Exhibit 3, there is approximately \$361.8 million of cushion – value in excess of the amount needed to pay all Second Lien Lenders including the Second Lien Noteholders as of the Petition Date. In a full liquidation per Tiger's recovery analysis, expenses to support the GOB process including Corporate expenses, Base Liquidation Fees, Royalties, and other closing costs are estimated to total 3.1% of inventory cost or approximately \$83.4 million assuming \$2.691 billion of inventory as of the Petition Date. This would still leave a net cushion of approximately \$278.4 million which could absorb expenses before impairment begins. Additional overhead may likely be needed to support an ongoing business.

## **2. The Second Lien Noteholders were fully secured as of the Petition Date**

Items (A), (B), (C), and (D) above would add \$1,098 million in value to Griffith's analysis, increasing the collateral for all Second Lien Lenders from \$430 million ("Remaining Collateral for 2L") to \$1.529 billion. As the Second Lien Debt per Griffith totals \$1.078 billion (excluding the Second Lien Notes), and there is \$89 million of Second Lien Notes, it is my opinion that the Second Lien Lenders, including the Second Lien Noteholders, were fully secured as of the Petition Date and leave a substantial cushion of excess value totaling \$362 million.

## **3. The Second Lien Creditors, Including the Second Lien Noteholders, appear to have suffered a complete diminution in the value of their collateral during the chapter 11 process**

Based upon my understanding of the prospective Plan of Liquidation, the Second Lien Creditors, including the Second Lien Noteholders, would receive General Unsecured Claims status based on their alleged secured "deficiency". Recoveries, if any, would be based on the success of various lawsuits that may be prosecuted, primarily against affiliates of ESL, etc. Any recoveries to be realized in such litigations are speculative by nature, would likely take years to achieve, would have significant associated costs from contingency fees, etc., and would be shared in a pro rata manner among creditors holding General Unsecured Claims totaling many billions of dollars. As a result, litigation recoveries would need to be very significant in order to repay even a small amount of the Second Lien Noteholders' claims. This result would be both inadequate and inequitable.

Griffith opines that Second Lien creditors who credit bid \$433.5 million of their debt did better in the sale to ESL than in a liquidation. Whether true or not, this is not the basis to assess whether a party has

suffered a diminution in value as it fails to offer a basis to either assess the collateral value at the Petition Date or assess such value impairment during the process.

#### **4. Griffith does not reflect §506(c) expenses appropriately**

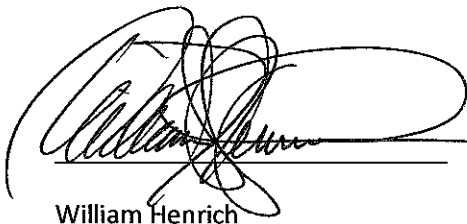
Griffith presents an amount totaling \$1.451 billion as § 506(c) surcharges. Per Griffith, this amount includes all of the operating costs of the Debtors less GOB store expenses during the relevant period. I disagree with several aspects of Griffith's approach and his opinion.

As discussed above, Griffith uses an 85% net recovery for inventory in his model (per sale to ESL). This recovery rate already theoretically incorporates the costs of operating GOB's for all stores, the bulk of expense incurred during a complete liquidation process, resulting in an 85% net recovery. Griffith then counts many of these same expenses as § 506(c) surcharges. Thus, Griffith has double counted a massive but unquantifiable amount of expense, the same expenses (albeit apples and oranges) that are built into both the net liquidation recovery rate and then counted again as § 506(c) expenses.

I note, however, that the Debtors failed to provide the specific breakdown of, or specific supporting information for, their claimed § 506(c) surcharges. Instead, the Debtors produced all expenses for all of the Debtors for the entire period, leaving me to guess as to which expenses are included in the Debtors' § 506(c) surcharges. I reserve the right to amend my opinion in the event that the Debtors identify more specifically the basis and back-up for their claimed § 506(c) surcharges.

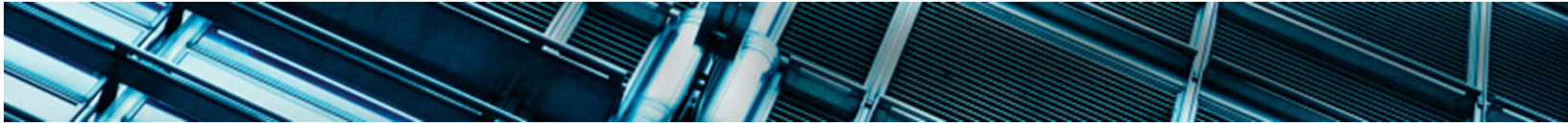
#### **Conclusion**

It is my opinion that there is a complete diminution of value for the Second Lien Noteholders. The outstanding Second Lien Debt, which was approximately \$1.151 billion at the Petition Date, was reduced by \$433.5 million leaving a balance of \$718 million that included the Second Lien Noteholders. Accordingly, the Second Lien Creditors have suffered a diminution in value of their collateral in the amount of \$718 million, including the \$89 million plus fees and interest owed to Wilmington Trust on account of the Second Lien Notes.

A handwritten signature in black ink, appearing to read 'William Henrich', is written over a horizontal line. The signature is stylized with loops and flourishes.

William Henrich

## Exhibit 1



## William H. Henrich

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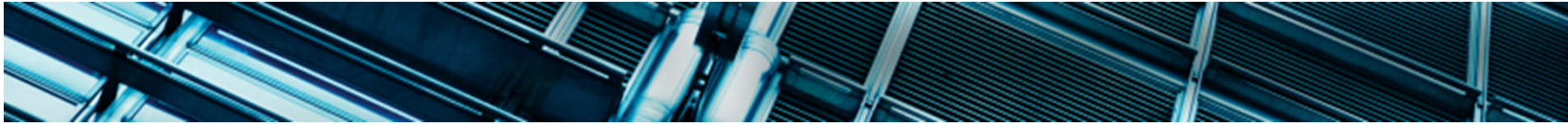


**William H. Henrich**, co-chairman of Getzler Henrich, one of the leading corporate restructuring firms in the U.S. focused on middle market companies. The restructuring industry publication "*Workouts and Turnarounds*" has named Getzler Henrich one of the Top US Turnaround firms for many consecutive years. With more than thirty years of experience, including more than 400 engagements, in turnaround and crisis management, loan workout, bankruptcy consulting and performance improvement, specific areas of expertise include:

- ❑ Operational restructuring, improving business operations, management practices, cash flow, and profitability
- ❑ Financial restructuring, negotiating and implementing corporate finance solutions including debt restructuring, refinancing, and distressed mergers and acquisitions
- ❑ Evaluating/crafting company operations, business plans, and financial projections
- ❑ Guiding companies through workout, turnaround and Chapter 11 processes and maximizing their value and recovery for stakeholders, including as CRO or interim CEO
- ❑ Advising secured and unsecured creditors during Chapter 11 bankruptcy proceedings, including developing plans of reorganization and providing bankruptcy forensic analysis to support litigation

Prior to joining Getzler Henrich, Mr. Henrich was managing director and founder of the New York practice of a prominent middle-market corporate restructuring firm. He also served in Arthur Andersen's corporate recovery services group. In 1982, Mr. Henrich started Andersen's New York bankruptcy and restructuring practice and was a member of the core Partner group responsible for establishing policy and directing the practice nationwide. Mr. Henrich also held senior executive finance, operational and sales/marketing positions with Arrow Electronics, the world's largest electronics distribution company. His efforts helped the company significantly reduce operating costs, improve market penetration and increase profitability.

Mr. Henrich is a former president and current advisory board member of the Turnaround Management Association's New York chapter, current TMA Global board member and VP - Education, Board member of the American Bankruptcy Institute ("ABI"), member of the Association of Corporate Growth and frequently lectures and writes on turnaround and bankruptcy issues. Mr. Henrich served as Co-Chairman of the ABI's Bankruptcy Reform Commission Governance Committee. A certified public accountant, he also holds a master's degree in business administration from Harvard Business School and a bachelor's degree from Baruch College, City University of New York.



## William H. Henrich (cont.)

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In September 2018, Mr. Henrich was inducted in Turnaround Management Association's Hall of Fame. This prestigious honor is bestowed every five years by the TMA to recognize those unique restructuring practitioners who, through their individual contributions, have increased the stature, visibility, and respect of the turnaround and restructuring industry and have made a lasting and positive impact to the industry. Named by *Turnaround and Workout* Magazine in its feature "People to Watch - Business Professionals Making Their Mark," Among many companies for whom interim management was provided, Mr. Henrich served as CRO of Marcal Paper, Moonlight Basin, National Envelope and a world-wide consumer packaging component corporation, yielding substantial creditor recoveries.

Mr. Henrich also currently serves as Independent Board member for Custom Ecology, Inc. and Emtec, Inc.; he similarly served for Empire CLS, National Label Company, Coyne Textile Service and Daticon Inc.; he was the Sole Managing Member of Direct Access Group to direct its efforts to maximize value for stakeholders.

### **Published Articles**

Loan Today, Gone Tomorrow? Going Beyond Traditional Assessment Techniques  
The Shifting Scales of Bankruptcy – Fact or Fiction?  
Low Interest Rates Could Be Masking Performance Problems  
The Role of the CRO in Debtor/Lender Communications in Bankruptcy  
The Hidden Psychology of a Corporate Turnaround  
The Nuts and Bolts of a Turnaround  
The Perfect Pairing: Asset-Based Lenders Working with Equity Sponsors  
Change Buffets the Restructuring Industry  
Dressing Up a Company For Sale  
Are the Dog Days Nearly Over...Or Just Beginning (State of the Industry)  
Mediating Valuation Disputes

## Exhibit 2

EXHIBIT 2A: COLLATERAL VALUATION AT FILING DATE

COLLATERAL SOURCE	10/15/2019	CUMULATIVE	NOTES
<b><u>Cash</u></b>			
Total Cash	116.2	116.2	Actuals per Schedules of Assets
<b><u>Accounts Receivable</u></b>			
Credit Card Deposits in Transit	64.3	180.5	
Pharmacy Accounts Receivable	14.5	195.0	
Total Accounts Receivable	78.8	195.0	
<b><u>Inventory</u></b>			
Total Inventory at cost	2,576.2		
Less: GOB liquidation Inventory at Cost	(651.6)		
Equals: Going concern Inventory at Cost	1,924.7		
Going concern Inventory sale proceeds	2,710.8		Assumes Inventory sale proceeds at 29.0% gross margin
Less: Going concern store expenses	(449.9)		Assumes same selling expense at 23.4% of Inventory at cost
Total Inventory, going concern	2,260.9	2,455.9	
GOB liquidation Inventory at Cost	651.6		
Less: Unrecovered value at liquidation sale	(23.7)		Assumes Inventory sold at 96.4% net recovery
Total Inventory, liquidation	627.9	3,083.7	
Total Inventory	2,888.7	3,083.7	
<b><u>Other Assets</u></b>			
Pharmacy prescription list asset value	72.8	3,156.5	
<b>TOTAL SOURCES OF COLLATERAL VALUATION</b>	<b>3,156.5</b>	<b>3,156.5</b>	
Less: Corporate expense, going concern	(135.5)	3,021.0	
Less: Corporate expense, liquidation	(20.2)	3,000.8	
Less: 506(c) professional fees	(51.0)	2,949.8	
Equals: Total Adjustments	(206.7)	2,949.8	
<b>TOTAL SOURCES OF COLLATERAL VALUATION &amp; ADJUSTMENTS</b>	<b>2,949.8</b>	<b>2,949.8</b>	

**EXHIBIT 2B: COLLATERAL APPLICATION AT FILING DATE**

DEBT TRANCHE	10/15/2019	CUMULATIVE	SECURITY	EXCESS
Revolving Credit Facility	836.0	836.0	SECURED	2,113.8
First Lien Letters of Credit	123.8	959.8	SECURED	1,990.0
First Lien Term Loan A	–	959.8	SECURED	1,990.0
First Lien Term Loan B	570.8	1,530.6	SECURED	1,419.2
FLO Term Loan	125.0	1,655.6	SECURED	1,294.2
<b>Total First Lien Debt</b>	<b>1,655.6</b>	<b>1,655.6</b>	<b>SECURED</b>	<b>1,294.2</b>
Stand-Alone L/C Facility	–	1,655.6	SECURED	1,294.2
Second Lien Term Loan	317.1	1,972.7	SECURED	977.1
Second Lien Line of Credit	525.0	2,497.7	SECURED	452.1
Alternative Tranche Line of Credit Loans	45.0	2,542.7	SECURED	407.1
Second Lien PIK Notes	175.4	2,718.1	SECURED	231.7
<b>Second Lien Notes</b>	<b>89.0</b>	<b>2,807.1</b>	<b>SECURED</b>	<b>142.7</b>
<b>Total Second Lien Debt</b>	<b>1,151.5</b>	<b>2,807.1</b>	<b>SECURED</b>	<b>142.7</b>
IP/Ground Lease Term Loan	231.2	3,038.3	PARTIAL	(88.5)
Consolidated Secured Note A	108.1	3,146.4	UNSECURED	(196.6)
Consolidated Secured Note B	723.3	3,869.7	UNSECURED	(919.9)
<b>Total Secured Loan Debt</b>	<b>1,062.6</b>	<b>3,869.7</b>	<b>PARTIAL</b>	<b>(919.9)</b>
Holdings Unsecured PIK Notes	222.6	4,092.3	UNSECURED	(1,142.5)
Holdings Unsecured Notes	411.0	4,503.3	UNSECURED	(1,553.5)
SRAC Unsecured PIK Notes	107.9	4,611.2	UNSECURED	(1,661.4)
SRAC Unsecured Notes	185.6	4,796.8	UNSECURED	(1,847.0)
<b>Total Unsecured Debt</b>	<b>927.1</b>	<b>4,796.8</b>	<b>UNSECURED</b>	<b>(1,847.0)</b>
<b>Total Funded Debt</b>	<b>4,796.8</b>	<b>4,796.8</b>		



## Exhibit 3

**Sears Holdings Corporation**  
**Total Company**  
**Summary Of Total Estimated Net Recovery Values On Retail Store GOB Inventory**  
**Projected for October 6, 2018**  
(\$ in 000s)

		Inventory at Cost	Adjusted Inventory at Retail (1)
Total GOB Eligible Inventory		\$2,358,220	\$4,476,840
	Total \$	% of Elig. Inv. at Cost	% of Elig. Inv. at Retail
Projected Combined GOB Gross Recovery	\$2,917,148	123.7%	65.2%
Controllable Expenses:			
Store payroll	214,505	9.1%	4.8%
Store payroll taxes and benefits	42,528	1.8%	0.9%
Incentive & retention bonus	21,451	0.9%	0.5%
Subtotal - Payroll	278,484	11.8%	6.2%
Advertising & promotional costs	86,391	3.7%	1.9%
Store occupancy expense	167,497	7.1%	3.7%
Store miscellaneous expense	19,818	0.8%	0.4%
Central Services	274	0.0%	0.0%
Merchandise transfers	52,696	2.2%	1.2%
Credit card fees	42,007	1.8%	0.9%
Security	11,985	0.5%	0.3%
Inventory insurance	3,731	0.2%	0.1%
Independent inventory costs (2)	1,868	0.1%	0.0%
Subtotal - Other Operating	132,379	5.6%	3.0%
On-site supervision	26,295	1.1%	0.6%
Total Combined Direct Sale Expenses (3)	691,046	29.3%	15.4%
Estimated Total Company GOB Net Recovery Before Other Adjustments and Corporate Expenses	\$2,226,102	94.4%	49.7%
Less: Other Adjustments			
Redemption Of Gift Certificates/Cash Cards (4)	-	-	-
Royalty Payments (5)	5,340	0.2%	0.1%
Total Other Adjustments	5,340	0.2%	0.1%
Estimated Blended Net Recovery Before Estimated Liquidation Fees and Corporate Expenses	\$2,220,761	94.2%	49.6%
Less: Estimated Base Liquidation Fee (6)	19,150	0.8%	0.4%
Estimated Blended Net Recovery Before Corporate Expenses	\$2,201,611	93.4%	49.2%
Less: Corporate Expenses			
Corporate Occupancy	9,062	0.4%	0.2%
Corporate Overhead	24,043	1.0%	0.5%
Other Closing Costs	15,722	0.7%	0.4%
Total Corporate Expenses (3)	48,827	2.1%	1.1%
Blended Net Recovery For Combined Retail Store GOB Inventory (7) (8)	\$2,152,784	91.3%	48.1%

Note(s):

- (1) Computed retail value supplied by or based on Company-supplied sales and margin information.
- (2) Assumes 20% of stores would be counted.
- (3) Corporate and direct sale expenses are estimated for the GOB period only.
- (4) Gift certificates / cash cards are not deducted as an expense as they are reserved for in the Company's borrowing base.
- (5) Royalty payments are paid based upon sales of Adam Levine, Bongo, Cannon, Everlast, Jaclyn Smith, Joe Boxer, Outdoor Life, and Route 66 merchandise.
- (6) Base fee estimated at approximately \$25,000 per store before any potential incentive fee or sharing based on recovery.
- (7) Percentages (%) and dollars (\$) may not add due to rounding.
- (8) This Exhibit should be read in conjunction with the full written report.

## Exhibit 4

EXHIBIT 3: GRIFFITH ADJUSTMENTS

	GRIFFITH VALUE	HENRICH ADJ.	NOTES
<b>Debt</b>			
Total First Lien Debt	1,927.0		
Total Second Lien Debt (ex. Second Lien Notes)	1,078.0		
Total First & Second Lien Debt	3,005.0		
<b>Recoveries</b>			
Total Inventory at cost	2,691.0		
Realized inventory value	2,287.4		Assumes Inventory sale proceeds at 85.0% of book value
Accounts receivable	70.0		
Total Eligible proceeds	2,357.4		
Less: First Lien Debt	(1,927.0)		
Amount Available for Second Lien Debt	430.4		Amount which was credit bid (~ 41% ) in connection with ESL Acquisition
<b>Recoveries for Second Lien Debt</b>	<b>430.4</b>	<b>430.4</b>	
<b>Henrich Adjustments</b>			
Add Cash		116.2	Cash on Hand; Disbursement Accounts, Depository Accounts, Concentration Accounts
Add Accounts Receivable/Cash Equivalents		64.3	Credit Card Deposits in Transit
1) Total Cash, Accounts Receivable, & Cash Equivalents		180.5	
2) Add Pharmacy prescription list		72.8	First Lien Collateral
3) Reduce amount of First Lien Debt outstanding		271.1	Undrawn Stand-Alone L/C Facility
4) Add Inventory actual liquidation results		306.8	Difference between 96.4% actual GOB net recovery vs. 85% NOLV per debtors
5) Add to reflect going concern Inventory value		267.2	Difference between Go Forward 29% GM vs 15.9% GM in #4 above for ongoing stores
Total Adjustments		1,098.4	
<b>Adjusted Amount Available for Second Lien Debt</b>		<b>1,528.8</b>	
Total Second Lien Debt (ex. Second Lien Notes)		1,078.0	
Amount of Second Lien Notes Outstanding		89.0	
Total Second Lien Debt (incl. Second Lien Notes)		1,167.0	
<b>Net Value in Excess of Second Lien Debt</b>		<b>361.8</b>	Amount of Corporate overhead and §506(c) costs that can be absorbed before impairment

## Exhibit 5

**GOB Store Performance (Post-Ch. 11 Bankruptcy Filing)**

Announce Date	Store Format	# GOB Stores	GOB Sales	Goods Available at Cost	Goods Available per Store	Gross Recovery %	Total GOB Expenses	GOB Expense per Store	Net Recovery %
10/15/18	FLS	77	\$ 251,199,766	\$ 205,725,578	\$ 2,671,761	<b>122.1%</b>	\$ 49,128,863	\$ 638,037	<b>98.6%</b>
	Kmart	65	\$ 197,658,880	\$ 171,692,459	\$ 2,641,422	<b>115.1%</b>	\$ 36,852,757	\$ 566,965	<b>94.8%</b>
	FLS+Kmart	142	\$ 448,858,646	\$ 377,418,037	\$ 2,657,874	<b>118.9%</b>	\$ 85,981,620	\$ 605,504	<b>96.9%</b>
11/8/18	FLS	29	\$ 71,762,679	\$ 58,587,791	\$ 2,020,269	<b>122.5%</b>	\$ 12,736,335	\$ 439,184	<b>100.6%</b>
	Kmart	11	\$ 40,583,110	\$ 34,358,332	\$ 3,123,485	<b>118.1%</b>	\$ 8,281,100	\$ 752,827	<b>95.2%</b>
	FLS+Kmart	40	\$ 112,345,789	\$ 92,946,123	\$ 2,323,653	<b>120.9%</b>	\$ 21,017,435	\$ 525,436	<b>98.6%</b>
12/27/18	FLS	43	\$ 98,267,824	\$ 81,372,001	\$ 1,892,372	<b>120.8%</b>	\$ 20,878,800	\$ 485,553	<b>96.1%</b>
	Kmart	37	\$ 74,586,254	\$ 65,463,890	\$ 1,769,294	<b>113.9%</b>	\$ 16,155,319	\$ 436,630	<b>91.4%</b>
	FLS+Kmart	80	\$ 172,854,078	\$ 146,835,891	\$ 1,835,449	<b>117.7%</b>	\$ 37,034,119	\$ 462,926	<b>94.0%</b>
Totals	FLS	149	\$ 390,050,700	\$ 321,455,911	\$ 2,157,422	<b>121.3%</b>	\$ 78,288,763	\$ 525,428	<b>97.6%</b>
	Kmart	113	\$ 384,590,923	\$ 330,102,472	\$ 2,921,261	<b>116.5%</b>	\$ 74,025,510	\$ 655,093	<b>95.2%</b>
	FLS+Kmart	262	\$ 774,641,623	\$ 651,558,383	\$ 2,486,864	<b>118.9%</b>	\$ 152,314,273	\$ 581,352	<b>96.4%</b>

## Appendix A

Documents Considered by William Henrich

Sears Holdings Corporation and Affiliates - Schedules of Assets and Liabilities

GOB Recovery Rates Post Chapter 11

Declaration of Brian J. Griffith - May 26, 2019

Declaration of Brian J. Griffith - April 15, 2019

Sears Holdings Corp. Collateral Report - October 6, 2018

Ending Inventory by Location -Transform Units Prior to Sale

Declaration of M. Meghji

Declaration of Alan J. Carr

Declaration of Transier - Go-Forward Business Plan

Consolidated Document Production

Tiger Group report - October 6, 2019

Project Blue report - Rolling Cash Flow Budget (Week 15) - January 30, 2019

Project Blue report - Actuals from Weeks ended January 26 through February 9

Project Blue - Wind Down Budget - January 10, 2019

Sears Holdings Corp - Professional Fee Carve-out as of 5/2/19

First Day Declarations

Customer/Prescription List Value Estimate

Sears BBC workbook for October 13, 2018

Project Blue Business Plan

LC Draws 6.16.xlsx



# Exhibit C

**Documents Considered by William Henrich**  
**Expert Report of William Henrich in Connection With Assessment of § 507(b)**  
**Adequate Protection Claims Asserted by Wilmington Trust, National Association**

<b>Document Name or Description</b>	<b>Bates Number(s) (if applicable)</b>	<b>Docket Number(s) (if applicable)</b>
Sears Holdings Corporation and Affiliates - Schedules of Assets and Liabilities		1609 - 1712
Declaration of Robert A. Riecker Pursuant to Rule 1007-2 of Local Bankruptcy Rules for Southern District of New York, dated October 15, 2018, including exhibits thereto		3
Declaration of Mohsin Y. Meghji, dated February 1, 2019, including exhibits thereto		2336
Declaration of Alan J. Carr, dated February 1, 2019, including exhibits thereto		2321
Declaration of William L. Transier, dated February 1, 2019, including exhibits thereto		2341
Declaration of Brian J. Griffith, dated April 15, 2019, including exhibits thereto		3198
Declaration of Brian J. Griffith, dated May 26, 2019, including exhibits thereto		4035
Customer/Prescription List Value Estimate	SEARS_507B_00001508	
Sears BBC workbook for October 13, 2018	SEARS_507B_00001430	
Tiger Valuation Services, LLC report - October 6, 2018	SEARS_507B_00001308-9	
Debtors' Weekly Reporting and Additional Documents Provided to Wilmington Trust ("Weekly Reporting") Pursuant to Paragraph 19(e) of the Final Order (I) Authorizing the Debtors to (A) Obtain Post-Petition Financing, (B) Grant Senior Secured Priming Liens and Superpriority Administrative	Weekly Reporting through counsel	

Document Name or Description	Bates Number(s) (if applicable)	Docket Number(s) (if applicable)
Expense Claims, and (C) Utilize Cash Collateral; (II) Granting Adequate Protection to the Prepetition Secured Parties; (III) Modifying the Automatic Stay; and (IV) Granting Related Relief, Dkt. No. 955 (the "Final DIP Order")		
Project Blue - Rolling Cash Flow Budget (Week 15) January 30, 2019	Week Reporting through counsel	
Project Blue Actuals from Weeks ended January 26 through February 9 May 13, 2019	Provided by Debtors through counsel	
Project Blue - Wind Down Budget January 10, 2019	Week Reporting through counsel	
Sears Holdings Corp Professional Fee Carve-out As of 5/2/19	Provided by Debtors through counsel	
1.2.17.5 - Schedule_AB_Capture_Sears Template 011619 1am (1)	From Debtors' Weekly Reporting and Additional Documents Provided to Wilmington Trust Pursuant to Paragraph 19(e) of the Final DIP Order	
GOB Recovery Rates Post Chapter 11	ESL_507B_00000001	
LC Draws 6.16.xlsx	ESL_507B_00000021	
LC summary 10_15_18	ESL_507B_00000004	
Ending Inventory by Location - Transform Units Prior to Sale	GH_00000001	
Third Amended and Restated Credit Agreement, dated as of July 21, 2015, as amended		<a href="https://www.sec.gov/Archives/edgar/data/1310067/000131006715000038/shldex102q22015.htm">https://www.sec.gov/Archives/edgar/data/1310067/000131006715000038/shldex102q22015.htm</a>

# Exhibit D

EXHIBIT 2A: COLLATERAL VALUATION AT FILING DATE			
COLLATERAL SOURCE	10/15/2019	CUMULATIVE	NOTES
<b>Cash</b>			
Total Cash	116.2	116.2	(1) Actuals per Schedules of Assets
<b>Accounts Receivable</b>			
Credit Card Deposits in Transit	64.3	180.5	
Pharmacy Accounts Receivable	14.5	195.0	
Total Accounts Receivable	78.8	195.0	
<b>Inventory</b>			
Total Inventory at cost	2,576.2		
Less: GOB liquidation Inventory at Cost	(617.2)		
Equals: Going concern Inventory at Cost	1,959.0		
Going concern Inventory sale proceeds	2,759.2		(2) Assumes Inventory sale proceeds at 29.0% gross margin
Less: Going concern store expenses	(457.2)		(3) Decrease in total GOB Inventory value (less \$34.4MM), increase in going concern Inventory (plus \$34.4MM), and decrease in GOB sale expense (from \$152.3MM to \$144.0MM) due to correction of formula error in GOB recovery rates file. Results in reduction of store expense as a percentage of Inventory at cost from 23.4% to 23.3%
Total Inventory, going concern	2,302.0	2,497.0	
GOB liquidation Inventory at Cost	617.2		
Less: Unrecovered value at liquidation sale	(22.4)		(4) Inventory sold at 96.4% net recovery
Total Inventory, liquidation	594.8	3,091.8	
Sears Home Services Inventory at cost	114.6	3,206.4	
Total Inventory	3,011.4	3,206.4	
<b>Other Assets</b>			
Pharmacy prescription list asset value	72.8	3,279.2	
<b>TOTAL SOURCES OF COLLATERAL VALUATION</b>	<b>3,279.2</b>	<b>3,279.2</b>	
Less: Corporate expense, going concern	(138.0)	3,141.2	
Less: Corporate expense, liquidation	(19.1)	3,122.1	
Less: 506(c) professional fees	(51.0)	3,071.1	
Equals: Total Adjustments	(208.1)	3,071.1	
<b>TOTAL SOURCES OF COLLATERAL VALUATION &amp; ADJUSTMENTS</b>	<b>3,071.1</b>	<b>3,071.1</b>	

EXHIBIT 2B: COLLATERAL APPLICATION AT FILING DATE				
DEBT TRANCHE	10/15/2019	CUMULATIVE	SECURITY	EXCESS
Revolving Credit Facility	836.0	836.0	SECURED	2,235.1
First Lien Letters of Credit (Drawn)	–	836.0	SECURED	2,235.1
First Lien Term Loan A	–	836.0	SECURED	2,235.1
First Lien Term Loan B	570.8	1,406.8	SECURED	1,664.3
FILO Term Loan	125.0	1,531.8	SECURED	1,539.3
Total First Lien Debt	1,531.8	1,531.8	SECURED	1,539.3
Stand-Alone L/C Facility (Drawn)	–	1,531.8	SECURED	1,539.3
Second Lien Term Loan	317.1	1,848.9	SECURED	1,222.2
Second Lien Line of Credit	525.0	2,373.9	SECURED	697.2
Alternative Tranche Line of Credit Loans	45.0	2,418.9	SECURED	652.2
Second Lien PIK Notes	175.4	2,594.3	SECURED	476.8
<b>Second Lien Notes</b>	<b>89.0</b>	<b>2,683.3</b>	<b>SECURED</b>	<b>387.8</b>
Total Second Lien Debt	1,151.5	2,683.3	SECURED	387.8
<b>Total Funded First &amp; Second Lien Debt</b>	<b>2,683.3</b>	<b>2,683.3</b>	<b>SECURED</b>	<b>387.8</b>

EXHIBIT 2C: COLLATERAL VALUATION AT FILING DATE (UPDATED)

COLLATERAL SOURCE	INITIAL	UPDATED	DELTA	NOTES
<b>Cash</b>				
Total Cash	116.2	116.2	-	
<b>Accounts Receivable</b>				
Credit Card Deposits in Transit	64.3	64.3	-	
Pharmacy Accounts Receivable	14.5	14.5	-	
Total Accounts Receivable	78.8	78.8	-	
<b>Inventory</b>				
Total Inventory at cost	2,576.2	2,576.2	-	
Less: GOB liquidation inventory at cost	(651.6)	(617.2)	34.4	(1) Decrease in total GOB sale Inventory value calculations from \$651.6MM to \$617.2MM due to correction of formula error in GOB Recovery Rates file
Equals: Going concern Inventory at Cost	1,924.7	1,959.0	34.4	
Going concern Inventory sale proceeds	2,710.8	2,759.2	48.4	(2) Increase in going concern Inventory value resulting from \$34.4MM increase in going concern Inventory at cost due to decrease in GOB sale Inventory calculations
Less: Going concern store expenses	(449.9)	(457.2)	(7.2)	(3) Decrease in total GOB Inventory value (less \$34.4MM), increase in going concern Inventory (plus \$34.4MM), and decrease in GOB sale expense (from \$152.3MM to \$144.0MM) due to correction of formula error in GOB recovery rates file. Results in reduction of store expense as a percentage of Inventory at cost from 23.4% to 23.3%
Total Inventory, going concern	2,260.9	2,302.0	41.2	
GOB liquidation Inventory at Cost	651.6	617.2	(34.4)	(4) Decrease in total GOB sale Inventory value calculations from \$651.6MM to \$617.2MM due to correction of formula error in GOB Recovery Rates file
Less: Unrecovered value at liquidation sale	(23.7)	(22.4)	1.2	(5) Decrease in total GOB Inventory at cost (less \$34.4MM) due to correction of formula error in GOB Recovery Rates file
Total Inventory, liquidation	627.9	594.8	(33.1)	
Sears Home Services Inventory at cost	-	114.6	114.6	(6) Inclusion of additional \$114.6MM of Sears Home Services Inventory
Total Inventory	2,888.7	3,011.4	122.6	
<b>Other Assets</b>				
Pharmacy prescription list asset value	72.8	72.8	-	
<b>TOTAL SOURCES OF COLLATERAL VALUATION</b>	<b>3,156.5</b>	<b>3,279.2</b>	<b>122.6</b>	
Less: Corporate expense, going concern	(135.5)	(138.0)	(2.4)	(7) Going concern corporate expense allocation of 5.0% of total sales on increased going concern Inventory
Less: Corporate expense, liquidation	(20.2)	(19.1)	1.1	(8) GOB corporate expense allocation of 3.1% on decreased GOB Inventory at cost
Less: 506(c) professional fees	(51.0)	(51.0)	-	
Equals: Total Adjustments	(206.7)	(208.1)	(1.4)	
<b>TOTAL SOURCES OF COLLATERAL VALUATION &amp; ADJUSTMENTS</b>	<b>2,949.8</b>	<b>3,071.1</b>	<b>121.3</b>	

EXHIBIT 2D: COLLATERAL APPLICATION AT FILING DATE (UPDATED)				
DEBT TRANCHE	INITIAL	UPDATED	DELTA	NOTES
Revolving Credit Facility	836.0	836.0	—	
First Lien Letters of Credit (Drawn)	123.8	—	(123.8)	Exclusion of undrawn \$123.8MM First Lien Letter of Credit
First Lien Term Loan A	—	—	—	
First Lien Term Loan B	570.8	570.8	—	
FILO Term Loan	125.0	125.0	—	
Total First Lien Debt	1,655.6	1,531.8	(123.8)	
Stand-Alone L/C Facility (Drawn)	—	—	—	
Second Lien Term Loan	317.1	317.1	—	
Second Lien Line of Credit	525.0	525.0	—	
Alternative Tranche Line of Credit Loans	45.0	45.0	—	
Second Lien PIK Notes	175.4	175.4	—	
<b>Second Lien Notes</b>	<b>89.0</b>	<b>89.0</b>	—	
Total Second Lien Debt	1,151.5	1,151.5	—	
<b>Total Funded First &amp; Second Lien Debt</b>	<b>2,807.1</b>	<b>2,683.3</b>	<b>(123.8)</b>	



# Exhibit E

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Store Count			Estimated Script Asset Value		
140			\$ 72,804,891	\$ 19,545,607	\$ 92,350,497
Location #	City	State	Estimated Asset Value	Estimated Inventory Liquidation Value	Estimated Asset Value with Inventory Liquidation Value
7752	YAUCO	PR	\$ 1,700,585	\$ 203,008	\$ 1,903,593
7705	TAMUNING	GU	\$ 1,239,148	\$ 484,652	\$ 1,723,800
4026	ST JOSEPH	MO	\$ 968,566	\$ 518,230	\$ 1,486,796
7784	VEGA ALTA	PR	\$ 1,275,051	\$ 180,545	\$ 1,455,595
3954	WALNUTPORT	PA	\$ 1,038,794	\$ 235,575	\$ 1,274,369
9662	EPHRATA	PA	\$ 1,009,565	\$ 201,783	\$ 1,211,347
4494	TRUJILLO ALTO	PR	\$ 1,028,825	\$ 170,892	\$ 1,199,717
7570	BAYAMON	PR	\$ 973,814	\$ 210,166	\$ 1,183,980
7413	ST CROIX	VI	\$ 864,111	\$ 299,917	\$ 1,164,028
7446	CAYEY	PR	\$ 1,025,058	\$ 128,449	\$ 1,153,507
3982	LEMOORE	CA	\$ 969,923	\$ 162,032	\$ 1,131,955
7677	WELLSVILLE	NY	\$ 832,348	\$ 286,882	\$ 1,119,230
7676	SIDNEY	NY	\$ 734,400	\$ 330,995	\$ 1,065,395
4188	CHARLESTON	WV	\$ 831,891	\$ 209,034	\$ 1,040,925
3810	WILLOW STREET	PA	\$ 865,814	\$ 161,395	\$ 1,027,208
3851	RACINE	WI	\$ 643,569	\$ 323,818	\$ 967,387
4751	TEHACHAPI	CA	\$ 839,880	\$ 109,040	\$ 948,920
9746	GRASS VALLEY	CA	\$ 805,362	\$ 134,659	\$ 940,020
7673	STEVENSVILLE	MD	\$ 579,323	\$ 321,288	\$ 900,611
7665	CAROLINA	PR	\$ 759,157	\$ 126,243	\$ 885,400
7255	SOMERSET	KY	\$ 771,397	\$ 109,788	\$ 881,185
7033	LEWISTON	ID	\$ 719,238	\$ 154,865	\$ 874,104
7788	BAYAMON	PR	\$ 744,009	\$ 122,952	\$ 866,961
7031	MENOMINEE	MI	\$ 708,051	\$ 158,615	\$ 866,666
7083	NEW CASTLE	PA	\$ 698,552	\$ 166,248	\$ 864,801
7741	PONCE	PR	\$ 724,846	\$ 136,966	\$ 861,812
7006	TWIN FALLS	ID	\$ 698,428	\$ 138,763	\$ 837,191
9689	INTERNATIONAL FA	MN	\$ 674,585	\$ 138,211	\$ 812,796
7246	RICHMOND	IN	\$ 609,092	\$ 203,131	\$ 812,223
3911	COLUMBIA	PA	\$ 654,494	\$ 154,357	\$ 808,851
7768	GUAYNABO	PR	\$ 679,209	\$ 129,458	\$ 808,668
7626	WAYNESVILLE	NC	\$ 616,057	\$ 189,662	\$ 805,718
3993	JUANA DIAZ	PR	\$ 680,082	\$ 111,371	\$ 791,453
7017	ROSWELL	NM	\$ 603,900	\$ 182,661	\$ 786,561
3725	FREEDOM	CA	\$ 646,920	\$ 137,173	\$ 784,093
3266	KINGSTON	PA	\$ 635,912	\$ 140,492	\$ 776,404
7783	HATO REY	PR	\$ 670,154	\$ 102,377	\$ 772,531
3841	MARSHALL	MI	\$ 640,869	\$ 130,246	\$ 771,115
4844	RIO PIEDROS	PR	\$ 646,380	\$ 124,025	\$ 770,405
4442	CHARLESTON	WV	\$ 594,457	\$ 171,846	\$ 766,303
7229	GRAYSON	KY	\$ 585,166	\$ 181,110	\$ 766,276
7616	LEXINGTON	SC	\$ 598,334	\$ 157,473	\$ 755,807
9420	BRONX	NY	\$ 570,655	\$ 176,131	\$ 746,786
4741	BATAVIA	NY	\$ 537,549	\$ 209,114	\$ 746,663
3172	HAGERSTOWN	MD	\$ 606,406	\$ 127,694	\$ 734,100
7419	CAGUAS	PR	\$ 595,662	\$ 137,833	\$ 733,495
9354	GRIFFITH	IN	\$ 573,798	\$ 153,965	\$ 727,764
4782	CLINTON	OK	\$ 559,329	\$ 159,525	\$ 718,855
4113	ERIE	PA	\$ 585,443	\$ 127,093	\$ 712,536
4713	TOWANDA	PA	\$ 567,914	\$ 139,335	\$ 707,249
7209	EAST LIVERPOOL	OH	\$ 522,152	\$ 173,408	\$ 695,560
7372	LEECHBURG	PA	\$ 541,274	\$ 153,439	\$ 694,713
7477	MARIETTA	OH	\$ 565,228	\$ 124,449	\$ 689,676

Store Count			Estimated Script Asset Value			
140			\$ 72,804,891	\$ 19,545,607	\$ 92,350,497	
Location #	City	State	Estimated Asset Value	Estimated Inventory Liquidation Value	Estimated Asset Value with Inventory Liquidation Value	
3136	SHILLINGTON	PA	\$ 516,614	\$ 168,549	\$ 685,163	
4048	SPRINGFIELD	IL	\$ 544,029	\$ 137,400	\$ 681,429	
3963	ELIZABETHTOWN	PA	\$ 527,968	\$ 149,024	\$ 676,992	
9220	ALGONA	IA	\$ 487,565	\$ 187,922	\$ 675,487	
3713	COVINGTON	GA	\$ 527,718	\$ 145,389	\$ 673,108	
7699	LEBANON	PA	\$ 515,631	\$ 152,524	\$ 668,155	
3886	ASHEVILLE	NC	\$ 523,869	\$ 140,357	\$ 664,226	
4112	ASHEVILLE	NC	\$ 520,242	\$ 137,948	\$ 658,189	
7717	WAYNESBORO	VA	\$ 534,046	\$ 116,114	\$ 650,160	
9593	OSCODA	MI	\$ 487,468	\$ 157,360	\$ 644,828	
4433	QUINCY	IL	\$ 528,702	\$ 115,986	\$ 644,687	
3268	WILKES BARRE	PA	\$ 535,638	\$ 108,120	\$ 643,759	
7169	SALINA	KS	\$ 476,128	\$ 161,739	\$ 637,867	
7030	KALISPELL	MT	\$ 533,506	\$ 104,149	\$ 637,656	
9394	FAJARDO	PR	\$ 518,954	\$ 112,147	\$ 631,101	
7223	METAIRIE	LA	\$ 546,272	\$ 78,237	\$ 624,509	
4736	CASPER	WY	\$ 485,086	\$ 133,765	\$ 618,852	
3592	LAS VEGAS	NV	\$ 495,651	\$ 117,957	\$ 613,608	
3750	WAUPACA	WI	\$ 469,855	\$ 142,927	\$ 612,782	
4453	PUEBLO	CO	\$ 482,691	\$ 129,360	\$ 612,051	
4304	FLORISSANT	MO	\$ 486,997	\$ 123,243	\$ 610,240	
9619	MOREHEAD CITY	NC	\$ 464,511	\$ 140,644	\$ 605,155	
4814	HAVRE	MT	\$ 493,546	\$ 105,271	\$ 598,817	
7068	MIDLAND	MI	\$ 494,225	\$ 100,350	\$ 594,575	
9438	PLEASANT HILLS	PA	\$ 437,857	\$ 148,540	\$ 586,397	
4170	RAPID CITY	SD	\$ 430,989	\$ 150,594	\$ 581,584	
3692	OCONOMOWOC	WI	\$ 445,320	\$ 130,071	\$ 575,391	
9621	LEBANON	TN	\$ 457,283	\$ 117,111	\$ 574,394	
7746	CARLISLE	PA	\$ 471,406	\$ 100,958	\$ 572,364	
3823	JASPER	IN	\$ 435,323	\$ 127,900	\$ 563,223	
3819	HASTINGS	MI	\$ 438,411	\$ 108,260	\$ 546,671	
7289	STEGER	IL	\$ 427,320	\$ 118,936	\$ 546,256	Closing September
4470	WEST LONG BRANC	NJ	\$ 380,063	\$ 164,984	\$ 545,047	
3484	ELKVIEW	WV	\$ 379,689	\$ 143,751	\$ 523,440	
3529	PITTSBURGH	PA	\$ 398,949	\$ 122,867	\$ 521,816	
7043	ROCK HILL	SC	\$ 424,648	\$ 92,245	\$ 516,893	
7767	CHARLES CITY	IA	\$ 400,431	\$ 114,648	\$ 515,079	
7566	ARECIBO	PR	\$ 410,137	\$ 100,496	\$ 510,633	
4871	FARMINGVILLE	NY	\$ 363,531	\$ 145,209	\$ 508,740	
3088	KENOSHA	WI	\$ 411,023	\$ 96,347	\$ 507,370	
4490	SAN JUAN	PR	\$ 413,405	\$ 90,957	\$ 504,362	
4016	GREENVILLE	SC	\$ 386,086	\$ 118,057	\$ 504,143	
7460	KNOXVILLE	TN	\$ 343,288	\$ 155,151	\$ 498,439	
7397	GROVE CITY	OH	\$ 392,815	\$ 99,505	\$ 492,321	
9348	NORRIDGE	IL	\$ 404,363	\$ 79,388	\$ 483,751	
4214	DES PLAINES	IL	\$ 352,343	\$ 126,138	\$ 478,481	
4064	NO VERSAILLES	PA	\$ 386,377	\$ 92,101	\$ 478,478	
4141	W COLUMBIA	SC	\$ 360,471	\$ 116,384	\$ 476,855	
4732	AGUADILLA	PR	\$ 428,234	\$ 46,189	\$ 474,422	
9549	MORGANTON	NC	\$ 350,086	\$ 123,041	\$ 473,127	
4381	BRIDGEVIEW	IL	\$ 366,286	\$ 94,761	\$ 461,047	
3361	ALLENTOWN	PA	\$ 359,709	\$ 101,179	\$ 460,888	
7042	VALPARAISO	IN	\$ 355,334	\$ 100,930	\$ 456,264	
3785	TABB	VA	\$ 337,860	\$ 117,645	\$ 455,505	
3239	KANSAS CITY	MO	\$ 345,309	\$ 110,082	\$ 455,391	
7749	NEW YORK	NY	\$ 317,935	\$ 135,740	\$ 453,676	

Store Count			Estimated Script Asset Value		
140			\$ 72,804,891	\$ 19,545,607	\$ 92,350,497
Location #	City	State	Estimated Asset Value	Estimated Inventory Liquidation Value	Estimated Asset Value with Inventory Liquidation Value
3829	ST. THOMAS	VI	\$ 391,915	\$ 60,865	\$ 452,781
4395	CUDAHY	WI	\$ 328,486	\$ 107,659	\$ 436,145
4863	GILLETTE	WY	\$ 311,843	\$ 121,666	\$ 433,509
3862	BOHEMIA	NY	\$ 273,877	\$ 143,596	\$ 417,473
7644	HARRISON	OH	\$ 320,275	\$ 88,687	\$ 408,962
3882	MAYAQUEZ	PR	\$ 326,617	\$ 80,520	\$ 407,137
4399	SILVER SPRINGS	MD	\$ 287,197	\$ 114,400	\$ 401,597
4450	RALEIGH	NC	\$ 270,706	\$ 127,262	\$ 397,969
3155	BELLEVILLE	MI	\$ 303,009	\$ 83,278	\$ 386,287
3808	STATESVILLE	NC	\$ 291,905	\$ 91,276	\$ 383,181
7274	MAULDIN	SC	\$ 286,782	\$ 94,525	\$ 381,307
4150	ALTOONA	PA	\$ 281,312	\$ 93,165	\$ 374,477
9794	SAINT GEORGE	UT	\$ 285,314	\$ 82,623	\$ 367,937
3147	KINGSPORT	TN	\$ 256,085	\$ 111,354	\$ 367,438
3097	COUNCIL BLUFFS	IA	\$ 286,560	\$ 78,358	\$ 364,918
3256	BALTIMORE	MD	\$ 239,317	\$ 118,707	\$ 358,024
7649	RIPON	WI	\$ 231,078	\$ 125,096	\$ 356,174
3667	RALEIGH	NC	\$ 261,983	\$ 92,783	\$ 354,766
3707	LAKE HAVASU CITY	AZ	\$ 253,703	\$ 93,397	\$ 347,100
3308	LAKE ORION	MI	\$ 252,208	\$ 93,975	\$ 346,183
3896	SAN GERMAN	PR	\$ 256,597	\$ 85,014	\$ 341,611
3424	GAINESVILLE	FL	\$ 251,183	\$ 88,487	\$ 339,670
7329	LOVELAND	CO	\$ 244,675	\$ 93,303	\$ 337,978
7321	BRADENTON	FL	\$ 202,694	\$ 123,141	\$ 325,835
3820	CHARLEVOIX	MI	\$ 237,614	\$ 80,509	\$ 318,122
3021	AUBURN	ME	\$ 224,903	\$ 83,437	\$ 308,340
3317	BOCA RATON	FL	\$ 233,405	\$ 72,170	\$ 305,575
7777	NEW YORK	NY	\$ 185,358	\$ 117,287	\$ 302,645
3379	WATERFORD	MI	\$ 220,528	\$ 78,518	\$ 299,046
7208	CLEMMONS	NC	\$ 195,757	\$ 70,651	\$ 266,408
4858	CAGUAS	PR	\$ 192,088	\$ 70,867	\$ 262,955

Closing September

Store Count			Estimated Script Asset Value		
140			\$ 72,804,891	\$ 19,545,607	\$ 92,350,497
Location #	City	State	Estimated Asset Value	Estimated Inventory Liquidation Value	Estimated Asset Value with Inventory Liquidation Value
7752	YAUCO	PR	\$ 1,700,585	\$ 203,008	\$ 1,903,593
7705	TAMUNING	GU	\$ 1,239,148	\$ 484,652	\$ 1,723,800
4026	ST JOSEPH	MO	\$ 968,566	\$ 518,230	\$ 1,486,796
7784	VEGA ALTA	PR	\$ 1,275,051	\$ 180,545	\$ 1,455,595
3954	WALNUTPORT	PA	\$ 1,038,794	\$ 235,575	\$ 1,274,369
9662	EPHRATA	PA	\$ 1,009,565	\$ 201,783	\$ 1,211,347
4494	TRUJILLO ALTO	PR	\$ 1,028,825	\$ 170,892	\$ 1,199,717
7570	BAYAMON	PR	\$ 973,814	\$ 210,166	\$ 1,183,980
7413	ST CROIX	VI	\$ 864,111	\$ 299,917	\$ 1,164,028
7446	CAYEY	PR	\$ 1,025,058	\$ 128,449	\$ 1,153,507
3982	LEMOORE	CA	\$ 969,923	\$ 162,032	\$ 1,131,955
7677	WELLSVILLE	NY	\$ 832,348	\$ 286,882	\$ 1,119,230
7676	SIDNEY	NY	\$ 734,400	\$ 330,995	\$ 1,065,395
4188	CHARLESTON	WV	\$ 831,891	\$ 209,034	\$ 1,040,925
3810	WILLOW STREET	PA	\$ 865,814	\$ 161,395	\$ 1,027,208
3851	RACINE	WI	\$ 643,569	\$ 323,818	\$ 967,387
4751	TEHACHAPI	CA	\$ 839,880	\$ 109,040	\$ 948,920
9746	GRASS VALLEY	CA	\$ 805,362	\$ 134,659	\$ 940,020
7673	STEVENSVILLE	MD	\$ 579,323	\$ 321,288	\$ 900,611
7665	CAROLINA	PR	\$ 759,157	\$ 126,243	\$ 885,400
7255	SOMERSET	KY	\$ 771,397	\$ 109,788	\$ 881,185
7033	LEWISTON	ID	\$ 719,238	\$ 154,865	\$ 874,104
7788	BAYAMON	PR	\$ 744,009	\$ 122,952	\$ 866,961
7031	MENOMINEE	MI	\$ 708,051	\$ 158,615	\$ 866,666
7083	NEW CASTLE	PA	\$ 698,552	\$ 166,248	\$ 864,801
7741	PONCE	PR	\$ 724,846	\$ 136,966	\$ 861,812
7006	TWIN FALLS	ID	\$ 698,428	\$ 138,763	\$ 837,191
9689	INTERNATIONAL FA	MN	\$ 674,585	\$ 138,211	\$ 812,796
7246	RICHMOND	IN	\$ 609,092	\$ 203,131	\$ 812,223
3911	COLUMBIA	PA	\$ 654,494	\$ 154,357	\$ 808,851
7768	GUAYNABO	PR	\$ 679,209	\$ 129,458	\$ 808,668
7626	WAYNESVILLE	NC	\$ 616,057	\$ 189,662	\$ 805,718
3993	JUANA DIAZ	PR	\$ 680,082	\$ 111,371	\$ 791,453
7017	ROSWELL	NM	\$ 603,900	\$ 182,661	\$ 786,561
3725	FREEDOM	CA	\$ 646,920	\$ 137,173	\$ 784,093
3266	KINGSTON	PA	\$ 635,912	\$ 140,492	\$ 776,404
7783	HATO REY	PR	\$ 670,154	\$ 102,377	\$ 772,531
3841	MARSHALL	MI	\$ 640,869	\$ 130,246	\$ 771,115
4844	RIO PIEDROS	PR	\$ 646,380	\$ 124,025	\$ 770,405
4442	CHARLESTON	WV	\$ 594,457	\$ 171,846	\$ 766,303
7229	GRAYSON	KY	\$ 585,166	\$ 181,110	\$ 766,276
7616	LEXINGTON	SC	\$ 598,334	\$ 157,473	\$ 755,807
9420	BRONX	NY	\$ 570,655	\$ 176,131	\$ 746,786
4741	BATAVIA	NY	\$ 537,549	\$ 209,114	\$ 746,663
3172	HAGERSTOWN	MD	\$ 606,406	\$ 127,694	\$ 734,100
7419	CAGUAS	PR	\$ 595,662	\$ 137,833	\$ 733,495
9354	GRIFFITH	IN	\$ 573,798	\$ 153,965	\$ 727,764
4782	CLINTON	OK	\$ 559,329	\$ 159,525	\$ 718,855
4113	ERIE	PA	\$ 585,443	\$ 127,093	\$ 712,536
4713	TOWANDA	PA	\$ 567,914	\$ 139,335	\$ 707,249
7209	EAST LIVERPOOL	OH	\$ 522,152	\$ 173,408	\$ 695,560
7372	LEECHBURG	PA	\$ 541,274	\$ 153,439	\$ 694,713
7477	MARIETTA	OH	\$ 565,228	\$ 124,449	\$ 689,676

Store Count			Estimated Script Asset Value		
140			\$ 72,804,891	\$ 19,545,607	\$ 92,350,497
Location #	City	State	Estimated Asset Value	Estimated Inventory Liquidation Value	Estimated Asset Value with Inventory Liquidation Value
3136	SHILLINGTON	PA	\$ 516,614	\$ 168,549	\$ 685,163
4048	SPRINGFIELD	IL	\$ 544,029	\$ 137,400	\$ 681,429
3963	ELIZABETHTOWN	PA	\$ 527,968	\$ 149,024	\$ 676,992
9220	ALGONA	IA	\$ 487,565	\$ 187,922	\$ 675,487
3713	COVINGTON	GA	\$ 527,718	\$ 145,389	\$ 673,108
7699	LEBANON	PA	\$ 515,631	\$ 152,524	\$ 668,155
3886	ASHEVILLE	NC	\$ 523,869	\$ 140,357	\$ 664,226
4112	ASHEVILLE	NC	\$ 520,242	\$ 137,948	\$ 658,189
7717	WAYNESBORO	VA	\$ 534,046	\$ 116,114	\$ 650,160
9593	OSCODA	MI	\$ 487,468	\$ 157,360	\$ 644,828
4433	QUINCY	IL	\$ 528,702	\$ 115,986	\$ 644,687
3268	WILKES BARRE	PA	\$ 535,638	\$ 108,120	\$ 643,759
7169	SALINA	KS	\$ 476,128	\$ 161,739	\$ 637,867
7030	KALISPELL	MT	\$ 533,506	\$ 104,149	\$ 637,656
9394	FAJARDO	PR	\$ 518,954	\$ 112,147	\$ 631,101
7223	METAIRIE	LA	\$ 546,272	\$ 78,237	\$ 624,509
4736	CASPER	WY	\$ 485,086	\$ 133,765	\$ 618,852
3592	LAS VEGAS	NV	\$ 495,651	\$ 117,957	\$ 613,608
3750	WAUPACA	WI	\$ 469,855	\$ 142,927	\$ 612,782
4453	PUEBLO	CO	\$ 482,691	\$ 129,360	\$ 612,051
4304	FLORISSANT	MO	\$ 486,997	\$ 123,243	\$ 610,240
9619	MOREHEAD CITY	NC	\$ 464,511	\$ 140,644	\$ 605,155
4814	HAVRE	MT	\$ 493,546	\$ 105,271	\$ 598,817
7068	MIDLAND	MI	\$ 494,225	\$ 100,350	\$ 594,575
9438	PLEASANT HILLS	PA	\$ 437,857	\$ 148,540	\$ 586,397
4170	RAPID CITY	SD	\$ 430,989	\$ 150,594	\$ 581,584
3692	OCONOMOWOC	WI	\$ 445,320	\$ 130,071	\$ 575,391
9621	LEBANON	TN	\$ 457,283	\$ 117,111	\$ 574,394
7746	CARLISLE	PA	\$ 471,406	\$ 100,958	\$ 572,364
3823	JASPER	IN	\$ 435,323	\$ 127,900	\$ 563,223
3819	HASTINGS	MI	\$ 438,411	\$ 108,260	\$ 546,671
7289	STEGER	IL	\$ 427,320	\$ 118,936	\$ 546,256
4470	WEST LONG BRANC	NJ	\$ 380,063	\$ 164,984	\$ 545,047
3484	ELKVIEW	WV	\$ 379,689	\$ 143,751	\$ 523,440
3529	PITTSBURGH	PA	\$ 398,949	\$ 122,867	\$ 521,816
7043	ROCK HILL	SC	\$ 424,648	\$ 92,245	\$ 516,893
7767	CHARLES CITY	IA	\$ 400,431	\$ 114,648	\$ 515,079
7566	ARECIBO	PR	\$ 410,137	\$ 100,496	\$ 510,633
4871	FARMINGVILLE	NY	\$ 363,531	\$ 145,209	\$ 508,740
3088	KENOSHA	WI	\$ 411,023	\$ 96,347	\$ 507,370
4490	SAN JUAN	PR	\$ 413,405	\$ 90,957	\$ 504,362
4016	GREENVILLE	SC	\$ 386,086	\$ 118,057	\$ 504,143
7460	KNOXVILLE	TN	\$ 343,288	\$ 155,151	\$ 498,439
7397	GROVE CITY	OH	\$ 392,815	\$ 99,505	\$ 492,321
9348	NORRIDGE	IL	\$ 404,363	\$ 79,388	\$ 483,751
4214	DES PLAINES	IL	\$ 352,343	\$ 126,138	\$ 478,481
4064	NO VERSAILLES	PA	\$ 386,377	\$ 92,101	\$ 478,478
4141	W COLUMBIA	SC	\$ 360,471	\$ 116,384	\$ 476,855
4732	AGUADILLA	PR	\$ 428,234	\$ 46,189	\$ 474,422
9549	MORGANTON	NC	\$ 350,086	\$ 123,041	\$ 473,127
4381	BRIDGEVIEW	IL	\$ 366,286	\$ 94,761	\$ 461,047
3361	ALLENTOWN	PA	\$ 359,709	\$ 101,179	\$ 460,888
7042	VALPARAISO	IN	\$ 355,334	\$ 100,930	\$ 456,264
3785	TABB	VA	\$ 337,860	\$ 117,645	\$ 455,505
3239	KANSAS CITY	MO	\$ 345,309	\$ 110,082	\$ 455,391
7749	NEW YORK	NY	\$ 317,935	\$ 135,740	\$ 453,676

Closing September

Store Count			Estimated Script Asset Value		
140			\$ 72,804,891	\$ 19,545,607	\$ 92,350,497
Location #	City	State	Estimated Asset Value	Estimated Inventory Liquidation Value	Estimated Asset Value with Inventory Liquidation Value
3829	ST. THOMAS	VI	\$ 391,915	\$ 60,865	\$ 452,781
4395	CUDAHY	WI	\$ 328,486	\$ 107,659	\$ 436,145
4863	GILLETTE	WY	\$ 311,843	\$ 121,666	\$ 433,509
3862	BOHEMIA	NY	\$ 273,877	\$ 143,596	\$ 417,473
7644	HARRISON	OH	\$ 320,275	\$ 88,687	\$ 408,962
3882	MAYAQUEZ	PR	\$ 326,617	\$ 80,520	\$ 407,137
4399	SILVER SPRINGS	MD	\$ 287,197	\$ 114,400	\$ 401,597
4450	RALEIGH	NC	\$ 270,706	\$ 127,262	\$ 397,969
3155	BELLEVILLE	MI	\$ 303,009	\$ 83,278	\$ 386,287
3808	STATESVILLE	NC	\$ 291,905	\$ 91,276	\$ 383,181
7274	MAULDIN	SC	\$ 286,782	\$ 94,525	\$ 381,307
4150	ALTOONA	PA	\$ 281,312	\$ 93,165	\$ 374,477
9794	SAINT GEORGE	UT	\$ 285,314	\$ 82,623	\$ 367,937
3147	KINGSPORT	TN	\$ 256,085	\$ 111,354	\$ 367,438
3097	COUNCIL BLUFFS	IA	\$ 286,560	\$ 78,358	\$ 364,918
3256	BALTIMORE	MD	\$ 239,317	\$ 118,707	\$ 358,024
7649	RIPON	WI	\$ 231,078	\$ 125,096	\$ 356,174
3667	RALEIGH	NC	\$ 261,983	\$ 92,783	\$ 354,766
3707	LAKE HAVASU CITY	AZ	\$ 253,703	\$ 93,397	\$ 347,100
3308	LAKE ORION	MI	\$ 252,208	\$ 93,975	\$ 346,183
3896	SAN GERMAN	PR	\$ 256,597	\$ 85,014	\$ 341,611
3424	GAINESVILLE	FL	\$ 251,183	\$ 88,487	\$ 339,670
7329	LOVELAND	CO	\$ 244,675	\$ 93,303	\$ 337,978
7321	BRADENTON	FL	\$ 202,694	\$ 123,141	\$ 325,835
3820	CHARLEVOIX	MI	\$ 237,614	\$ 80,509	\$ 318,122
3021	AUBURN	ME	\$ 224,903	\$ 83,437	\$ 308,340
3317	BOCA RATON	FL	\$ 233,405	\$ 72,170	\$ 305,575
7777	NEW YORK	NY	\$ 185,358	\$ 117,287	\$ 302,645
3379	WATERFORD	MI	\$ 220,528	\$ 78,518	\$ 299,046
7208	CLEMMONS	NC	\$ 195,757	\$ 70,651	\$ 266,408
4858	CAGUAS	PR	\$ 192,088	\$ 70,867	\$ 262,955

Closing September



# Exhibit F

**This Document Has Been Produced In Native  
Format**

Sears Holdings Corporation		Date:		10/18/2018
Borrowing Base Certificate				
As of October 13, 2018				
(millions)				
	Sears	Kmart	Consolidated	
Inventory per Stock Ledger			\$	2,576.2 (1)
Home Services	\$ 114.6		\$	114.6
Total Stock Ledger Inventory			\$	2,690.8
Less Ineligible Inventory:				
Consigned Inventory	\$ -	\$ 2.2	\$	2.2
Inventory in Foreign Location	\$ -	\$ -	\$	-
Store Closure Sale inventory in excess of four weeks	\$ 11.9	\$ 6.9	\$	18.9
Inventory paid for in advance of shipment	\$ 82.2	\$ 1.4	\$	83.7
Live plants, nursery, floral	\$ -	\$ 1.3	\$	1.3
Seafood	\$ -	\$ -	\$	-
Restaurant	\$ -	\$ 0.3	\$	0.3
Readers Market	\$ -	\$ 1.6	\$	1.6
Wholesaler Frt/Fees	\$ -	\$ -	\$	-
Gasoline	\$ -	\$ -	\$	-
50% Home Services	\$ 57.3	\$ -	\$	57.3
Other	\$ -	\$ -	\$	-
Eligible Inventory before Reserves			\$	2,525.6
Less Inventory Reserves:				
Shrink	\$ -	\$ -	\$	-
In-Transit Reserve	\$ 103.3	\$ 41.2	\$	144.6 (2)
Total Imported In-Transit Inventory	\$ 103.3	\$ 41.2	\$	144.6
% Relating to SRAC L/C's	7.4%	7.4%		
SRAC L/C's	\$ 7.7	\$ 3.1	\$	10.7
Add: SRAC L/C's (net of 2.73% reserve)	\$ 7.5	\$ 3.0	\$	10.4
Net Eligible Inventory			\$	2,391.5
NOLV				88.70%
Advance Rate				7.50%
Inventory Availability			\$	159.1
Add Back			\$	150.0
DIP Borrowing Base before reserves			\$	309.09
Availability Reserves not reserved in the Prepetition			\$	-
Carve Out Reserve				
Post Trigger Notice Carve-Out Fee Cap			\$	(20.0)
Trustee Fees			\$	-
Professional Fees			\$	(26.0)
Borrowing Base			\$	263.1

(1) Includes inventory in trailers on premises at DCs.

(2) Adjusted for Decon to DC Inventory (net of reserves)

Submitted by sears Roebuck Acceptance Corp. and Kmart Corporation on this 18th day of October 2018.

Sears Roebuck Acceptance Corp

By:

Title: SVP, Finance, Corporate Controller and Risk Management

Kmart Corporation

By:

Title: SVP, Finance, Corporate Controller and Risk Management

**Sears Holdings Corporation**

Date: 10/18/2018

**Availability Calculation**

Beginning Revolving Principal Balance		\$	836,034,649
Add prior days advance		-	
Add fees charged today		-	
Less prior day's pay down		-	
Ending Revolving Principal		\$	836,034,649
Add Letters of Credit			
Commercial L/C			
Standby L/C		\$123,567,481	
Term Loan Outstanding		\$0	
2016 Term Loan Outstanding		\$570,776,250	
Total liability prior to request		\$	1,530,378,381
(a) Aggregate Revolving Commitments	\$	1,500,000,000	
(b) Term Loan Outstanding	\$	-	
(c) 2016 Term Loan	\$	570,776,250	
(d) Borrowing Base	\$	1,669,060,148	
Lesser of ((a) + (b) + (c)) or (d)	\$	1,669,060,148	
Capped Excess Availability prior to today's request		\$	138,681,768
Advance Request			
Capped Excess Availability after today's request		\$	138,681,768

The undersigned, an Authorized Officer of Sears Holdings Corporation ("Holdings"), represents and warrants that (A) the information set forth above (i) is true and correct in all material respects (it being understood that any weekly Borrowing Base Certificate shall constitute the Loan Parties' best estimates of Net Eligible Inventory and other items, as applicable), (ii) has been prepared in accordance with the requirements of that certain Third Amended and Restated Credit Agreement dated February 10, 2017 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by, among others, (1) Holdings, (2) Kmart Corporation and Sears Roebuck Acceptance Corp., as Borrowers, (3) the Lenders party thereto, (4) Bank of America, N.A., as Administrative Agent (in such capacity, the "Agent"), and (5) Bank of America, N.A. and Wells Fargo Bank, National Association, as Co-Collateral Agents, and (iii) is based on supporting documentation that is satisfactory to the Agent, and (B) no Default or Event of Default (as such terms are defined in the Credit Agreement) has occurred and is outstanding.

Authorized Signer: \_\_\_\_\_

By:  
Name: Robert Phelan  
Title: SVP, Finance, Corporate Controller and Risk Management

Sears Holdings Corporation			Date:	10/18/2018
Borrowing Base Certificate				
As of October 13, 2018				
(millions)				
	Sears	Kmart	Consolidated	
Inventory per Stock Ledger			\$	2,576.2 (1)
Home Services	\$ 114.6		\$	114.6
Total Stock Ledger Inventory			\$	2,690.8
Less Ineligible Inventory:				
Consigned Inventory	\$ -	\$ 2.2	\$	2.2
Inventory in Foreign Location	\$ -	\$ -	\$	-
Store Closure Sale inventory in excess of four weeks	\$ 11.9	\$ 6.9	\$	18.9
Inventory paid for in advance of shipment	\$ 82.2	\$ 1.4	\$	83.7
Live plants, nursery, floral	\$ -	\$ 1.3	\$	1.3
Seafood	\$ -	\$ -	\$	-
Restaurant	\$ -	\$ 0.3	\$	0.3
Readers Market	\$ -	\$ 1.6	\$	1.6
Wholesaler Frt/Fees	\$ -	\$ -	\$	-
Gasoline	\$ -	\$ -	\$	-
50% Home Services	\$ 57.3	\$ -	\$	57.3
Other	\$ -	\$ -	\$	-
Eligible Inventory before Reserves			\$	2,525.6
Less Inventory Reserves:				
Shrink	\$ -	\$ -	\$	-
In-Transit Reserve	\$ 103.3	\$ 41.2	\$	144.6 (2)
Total Imported In-Transit Inventory	\$ 103.3	\$ 41.2	\$	144.6
% Relating to SRAC L/C's	7.4%	7.4%		
SRAC L/C's	\$ 7.7	\$ 3.1	\$	10.7
Add: SRAC L/C's (net of 2.73% reserve)	\$ 7.5	\$ 3.0	\$	10.4
Net Eligible Inventory			\$	2,391.5
NOLV				88.70%
Advance Rate (Lesser of 70% or 80% of NOLV)				70.00%
Inventory Availability			\$	1,674.0
Eligible Credit Card Receivables	\$ 41.1	\$ 13.7	\$	54.8
Advance Rate				85%
Credit Card Availability			\$	46.5
Pharmacy Accounts Receivable	\$ -	\$ 14.5	\$	14.5
Less Ineligibles:				
Outstanding for more than 90 days past invoice date or 60 days past due		\$ 2.5	\$	2.5
Cross-Age		\$ 1.0	\$	1.0
Disputed Pharmacy Receivables			\$	-
Medicare, Medicaid, or other Governmental Authorities		\$ 0.5	\$	0.5
Pharmacy Receivables due from outside United States			\$	-
Other			\$	-
Net Eligible Pharmacy Accounts Receivable				10.5
Advance Rate				85%
Third Party Pharmacy Accounts Receivable Availability				8.9
Availability Reserves				
Gift Card Liability (50%)	\$ 16.7	\$ 2.8	\$	19.5
2 Months Store Rent Reserve (Landlord Lien States WA, VA, PA)	\$ 2.1	\$ 3.5	\$	5.7
Unshipped Customer Deposits (15%)	\$ 15.0	\$ 0.2	\$	15.3
DC Rent Reserve (2 months)	\$ 1.4	\$ 1.9	\$	3.3
PACA/PASA	\$ -	\$ 0.0	\$	0.0
Credit Card Receivables owed to PR	\$ 0.1	\$ 0.0	\$	0.1
SHIP Customer Deposits	\$ 15.0	\$ -	\$	15.0
Installation Customer Deposits	\$ 1.6	\$ -	\$	1.6
Reserve for FILO	\$ -	\$ -	\$	-
Borrowing Base			\$	1,669.1

(1) Includes inventory in trailers on premises at DCs.

(2) Adjusted for Decon to DC Inventory (net of reserves)



Sears Holdings Corporation			Date:	10/18/2018
FILO Borrowing Base Certificate				
As of October 13, 2018				
(millions)	Sears	Kmart	Consolidated	
Inventory per Stock Ledger			\$	2,576.2 (1)
Home Services	\$ 114.6		\$	114.6
Total Stock Ledger Inventory			\$	2,690.8
Less Ineligible Inventory:				
Consigned Inventory	\$ -	\$ 2.2	\$	2.2
Inventory in Foreign Location	\$ -	\$ -	\$	-
Store Closure Sale inventory in excess of four weeks	\$ 11.9	\$ 6.9	\$	18.9
Inventory paid for in advance of shipment	\$ 82.2	\$ 1.4	\$	83.7
Live plants, nursery, floral	\$ -	\$ 1.3	\$	1.3
Seafood	\$ -	\$ -	\$	-
Restaurant	\$ -	\$ 0.3	\$	0.3
Readers Market	\$ -	\$ 1.6	\$	1.6
Wholesaler Frt/Fees	\$ -	\$ -	\$	-
Gasoline	\$ -	\$ -	\$	-
50% Home Services	\$ 57.3	\$ -	\$	57.3
Other	\$ -	\$ -	\$	-
Eligible Inventory before Reserves			\$	2,525.6
Less Inventory Reserves:				
Shrink	\$ -	\$ -	\$	-
In-Transit Reserve	\$ 103.3	\$ 41.2	\$	144.6 (2)
Total Imported In-Transit Inventory	\$ 103.3	\$ 41.2	\$	144.6
% Relating to SRAC L/C's	7.4%	7.4%		
SRAC L/C's	\$ 7.7	\$ 3.1	\$	10.7
Add: SRAC L/C's (net of 2.73% reserve)	\$ 7.5	\$ 3.0	\$	10.4
Net Eligible Inventory			\$	2,391.5
NOLV				88.70%
FILO Advance Rate				10.00%
Inventory Availability			\$	212.1
ACH limit			\$	100.0
P-card limit			\$	12.5
BAML Bank Products and Cash Management Services			\$	112.5
Total Reserves @ 50.0%			\$	56.3
FILO Borrowing Base			\$	155.9
FILO Outstanding			\$	125.0
FILO Borrowing Base cushion/(shortfall)			\$	30.9

(1) Includes inventory in trailers on premises at DCs.

(2) Adjusted for Decon to DC Inventory (net of reserves)

### Input from stock ledger reports

[illegible]

Input From EIS	
Live plants	1,201,361.0
Decorative Flowers	61,838.0
Readers Market	1,594,461.0
	1,263,229
	Live Plants, nursery, floral

[illegible]

Prior month total stock ledger inventory  
% to total stock ledger

[illegible]

Letter of Credit % - OTW In-transit	
Wire	92.6%
L.C.	7.4%
Free goods	0.0%
OTW As of 10/13/18	
162,648,144.99	W
13,072,768.50	L
15,575.50	F
175,936,488.99	

**Sears Holdings Corporation**  
**Borrowing Base Certificate**  
**Trailers at DCs**  
Fiscal 2018 - Week 36

Network	Cost on Lot October 13	Sears	Kmart
RDC	\$1,118,975		
RSC	\$736,885		
DDC	\$1,392,143		
RRC	\$372,704		
Total	\$3,620,707	\$ 1,764,847	\$ 1,855,860
Inventory Reserve (28.91%)	1,046,746	510,217	536,529
SRAC L/C %	7.4%	7.4%	7.4%
SRAC L/C	\$ 191,255.32	\$ 93,223.88	\$ 98,031.43 (T)
Trailer inventory on premises excluding SRAC L/C	\$ 2,382,705.11	\$ 1,161,405.72	\$ 1,221,299.39

Assumes same L/C % as Total Import In-Transit Inventory



**Sears Holdings Corporation**  
**Borrowing Base Certificate**  
Deconsolidation Centers to DC Inventory  
Fiscal 2018 - Week 36

	Cost on Lot October 13	Sears	Kmart
Total	\$ 25,208,942	\$ 18,814,737	\$ 6,394,205
Transportation reserve (3%)	756,268	564,442	191,826
Reduction to Import In-Transit Reserve	\$ 24,452,674	\$ 18,250,295	\$ 6,202,378 (U)

**Sears Holdings Corporation**  
**Layaway Inventory/Deposits**  
Fiscal 2018 - Week 35

			Amount
33043 PUERTO RICO - H.O. LEDGER	12546 INVENTORY ADJ - LAYAWAY		1,973,744
35355 RETAIL ACTG ADJ SEARS	12546 INVENTORY ADJ - LAYAWAY		9,730,645
36804 SEARS OPER,LLC(PR)	12546 INVENTORY ADJ - LAYAWAY		813,595
35486 CORPORATE ACCT ADJ SE	12546 INVENTORY ADJ - LAYAWAY		10,025,107
36802 SEARS OPER,LLC	12546 INVENTORY ADJ - LAYAWAY		5,361,832
<b>36802 SEARS OPER,LLC</b>	<b>12546 INVENTORY ADJ - LAYAWAY</b>		<b>27,904,923</b>
<b>Kmart Operations</b>	<b>12546 INVENTORY ADJ - LAYAWAY</b>		<b>10,157,150</b>
33043 PUERTO RICO - H.O. LEDGER	24273 LAYAWAY DEPOSITS		(2,339,799)
35355 RETAIL ACTG ADJ SEARS	24273 LAYAWAY DEPOSITS		(13,137,612)
36804 SEARS OPER,LLC(PR)	24273 LAYAWAY DEPOSITS		(964,485)
35486 CORPORATE ACCT ADJ SE	24273 LAYAWAY DEPOSITS		(9,680,638)
36802 SEARS OPER,LLC	24273 LAYAWAY DEPOSITS		(6,356,248)
<b>36802 SEARS OPER,LLC</b>	<b>24273 LAYAWAY DEPOSITS</b>		<b>(32,478,782)</b>
<b>Kmart Operations</b>	<b>24273 LAYAWAY DEPOSITS</b>		<b>(3,714,087)</b>
Layaway inventory @ cost			38,062,073
Layaway customer deposits			(36,192,869)
Layaway @ cost less Customer Deposits			1,869,204

**Sears Holdings Corporation**  
**Borrowing Base Certificate**  
**Customer Deposits**  
As of 10/6/2018

	<u>Amount</u>
23355 CUSTOMER DEPOSITS	(15,007,985)
23180 INSTALL SALES ACCR/RE	(1,636,358)

Sears Holdings Corporation  
Borrowing Base Certificate  
Closing Store Reserve  
Fiscal 2018 - Week 36  
Amounts in 000s

Store	Location	Type	Start of Date	Start of GOB (Week)	Closing Date	Closing Week	Balance
1091	Oklahoma city, OK	Full-Line	07/13/18 (23)	18.23	09/30/18 (35)	18.37	(145,438.28) x
1265	Virginia beach, VA	Full-Line	07/13/18 (23)	18.23	09/30/18 (35)	18.37	(66,087.96) x
1490	Troy, MI	Full-Line	07/13/18 (23)	18.23	09/30/18 (35)	18.37	(189,235.21) x
1615	Chesapeake, VA	Full-Line	07/13/18 (23)	18.23	09/30/18 (35)	18.37	(113,087.44) x
1696	Newark, CA	Full-Line	07/13/18 (23)	18.23	09/30/18 (35)	18.37	(448,334.48) x
1012	Des Moines, IA	Full-Line	07/26/18 (25)	18.25	10/14/18 (37)	18.39	(136,281.42) x
1355	Altamonte springs, FL	Full-Line	08/02/18 (26)	18.26	09/30/18 (35)	18.37	(166,783.37) x
1623	Clay, NY	Full-Line	08/02/18 (26)	18.26	09/30/18 (35)	18.37	(96,940.32) x
1040	Eau claire, WI	Full-Line	09/07/18 (31)	18.31	11/25/18 (43)	18.45	(343,804.16) x
1087	Houston - memorial, TX	Full-Line	09/07/18 (31)	18.31	11/25/18 (43)	18.45	(1,004,059.66) x
1119	Happy valley / portland, OR	Full-Line	09/07/18 (31)	18.31	11/25/18 (43)	18.45	(787,951.33) x
1305	Savannah, GA	Full-Line	09/07/18 (31)	18.31	11/25/18 (43)	18.45	(564,290.63) x
1385	Atlanta, GA	Full-Line	09/07/18 (31)	18.31	11/25/18 (43)	18.45	(620,056.78) x
1554	Mays landing, NJ	Full-Line	09/07/18 (31)	18.31	11/25/18 (43)	18.45	(690,417.66) x
1560	Dayton, OH	Full-Line	09/07/18 (31)	18.31	11/25/18 (43)	18.45	(593,387.30) x
1610	Cincinnati - northgate, OH	Full-Line	09/07/18 (31)	18.31	11/25/18 (43)	18.45	(492,181.00) x
1805	Raleigh - crabtree, NC	Full-Line	09/07/18 (31)	18.31	11/25/18 (43)	18.45	(581,674.39) x
1814	Fairfax, VA	Full-Line	09/07/18 (31)	18.31	11/25/18 (43)	18.45	(555,099.74) x
1830	Fort wayne, IN	Full-Line	09/07/18 (31)	18.31	11/25/18 (43)	18.45	(847,171.96) x
1888	West jordan, UT	Full-Line	09/07/18 (31)	18.31	11/25/18 (43)	18.45	(475,613.60) x
2016	Hammond, LA	Full-Line	09/07/18 (31)	18.31	11/25/18 (43)	18.45	(311,629.73) x
2050	Jackson, MI	Full-Line	09/07/18 (31)	18.31	11/25/18 (43)	18.45	(464,752.48) x
2065	Brunswick, GA	Full-Line	09/07/18 (31)	18.31	11/25/18 (43)	18.45	(243,720.55) x
2308	Santa cruz, CA	Full-Line	09/07/18 (31)	18.31	11/25/18 (43)	18.45	(461,563.30) x
2358	Flagstaff, AZ	Full-Line	09/07/18 (31)	18.31	11/25/18 (43)	18.45	(205,863.92) x
2361	Grand junction, CO	Full-Line	09/07/18 (31)	18.31	11/25/18 (43)	18.45	(317,912.67) x
2432	La crosse, WI	Full-Line	09/07/18 (31)	18.31	11/25/18 (43)	18.45	(269,652.05) x
2547	College station - bryan, TX	Full-Line	09/07/18 (31)	18.31	11/25/18 (43)	18.45	(285,726.78) x
2840	Bloomington, IL	Full-Line	09/07/18 (31)	18.31	11/25/18 (43)	18.45	(272,862.65) x
1202	Beavercreek, OH	Full-Line	09/21/18 (33)	18.33	12/09/18 (45)	18.47	(354,628.03) x
1327	Baytown, TX	Full-Line	09/21/18 (33)	18.33	12/09/18 (45)	18.47	(515,938.09) x
2077	Tyler, TX	Full-Line	09/21/18 (33)	18.33	12/09/18 (45)	18.47	(485,862.52) x
1003	Salem, NH	Full-Line	09/27/18 (34)	18.34	11/25/18 (43)	18.45	(467,610.08) x
1273	Holyoke, MA	Full-Line	09/27/18 (34)	18.34	11/25/18 (43)	18.45	(769,438.03) x
1465	Tampa - university, FL	Full-Line	09/27/18 (34)	18.34	11/25/18 (43)	18.45	(602,513.46) x
1584	Victor, NY	Full-Line	09/27/18 (34)	18.34	11/25/18 (43)	18.45	(506,876.07) x
1715	Doral / miami, FL	Full-Line	09/27/18 (34)	18.34	11/25/18 (43)	18.45	(1,233,073.64) x
1730	Florence, KY	Full-Line	09/27/18 (34)	18.34	11/25/18 (43)	18.45	(531,347.31) x
2239	Vancouver, WA	Full-Line	09/27/18 (34)	18.34	11/25/18 (43)	18.45	(591,636.22) x
2443	Manchester, NH	Full-Line	09/27/18 (34)	18.34	11/25/18 (43)	18.45	(501,253.65) x
2453	Queensbury / glen falls, NY	Full-Line	09/27/18 (34)	18.34	11/25/18 (43)	18.45	(334,289.37) x
2695	Naples, FL	Full-Line	09/27/18 (34)	18.34	11/25/18 (43)	18.45	(430,724.86) x
2933	New hyde park, NY	Full-Line	09/27/18 (34)	18.34	11/25/18 (43)	18.45	(1,180,285.05) x
2934	Taunton, MA	Full-Line	09/27/18 (34)	18.34	11/25/18 (43)	18.45	(272,655.27) x
1290	Niles, IL	Full-Line	09/28/18 (34)	18.34	12/16/18 (46)	18.48	(822,494.24) x
1343	Cambridge, MA	Full-Line	10/11/18 (36)	18.36	12/09/18 (45)	18.47	(744,241.72) x
2323	Hyannis, MA	Full-Line	10/11/18 (36)	18.36	12/09/18 (45)	18.47	(729,111.58) x
2354	Vienna / parkersburg, WV	Full-Line	10/11/18 (36)	18.36	12/09/18 (45)	18.47	(389,106.38) x
1205	Pompano beach, FL	Full-Line	10/18/18 (37)	18.37	12/16/18 (46)	18.48	(593,024.58) x
1504	Williamsville, NY	Full-Line	10/18/18 (37)	18.37	12/16/18 (46)	18.48	(381,912.76) x
<b>Total</b>	<b>Sears Full-Line</b>						<b>(24,399,206.70)</b>
4814	Havre, MT	Kmart	07/12/18 (23)	18.23	09/30/18 (35)	18.37	(118,771.12) x
9389	Las Vegas, NV	Kmart	07/12/18 (23)	18.23	09/30/18 (35)	18.37	(388,280.18) x
3894	Elko, NV	Kmart	07/26/18 (25)	18.25	10/14/18 (37)	18.39	(14,150.93) x
7195	Goleta, CA	Kmart	07/26/18 (25)	18.25	10/14/18 (37)	18.39	(78,290.99) x
9419	Middle village, NY	Kmart	07/26/18 (25)	18.25	10/14/18 (37)	18.39	(229,209.15) x
3413	Kent, WA	Kmart	08/16/18 (28)	18.28	10/14/18 (37)	18.39	(65,268.78) x
4937	Chillicothe, OH	Kmart	08/16/18 (28)	18.28	11/04/18 (40)	18.42	(425,221.62) x
3078	Spring valley, CA	Kmart	08/30/18 (30)	18.30	11/04/18 (40)	18.42	(475,553.69) x
4483	Annandale, VA	Kmart	08/30/18 (30)	18.30	11/18/18 (42)	18.44	(441,700.52) x
3495	Milford, CT	Kmart	09/06/18 (31)	18.31	11/25/18 (43)	18.45	(560,343.70) x
3582	Clovis, CA	Kmart	09/06/18 (31)	18.31	11/25/18 (43)	18.45	(574,840.09) x
3800	Newark, DE	Kmart	09/06/18 (31)	18.31	11/25/18 (43)	18.45	(525,209.63) x
4435	Gresham, OR	Kmart	09/06/18 (31)	18.31	11/25/18 (43)	18.45	(585,322.45) x
4762	Antioch, CA	Kmart	09/06/18 (31)	18.31	11/25/18 (43)	18.45	(605,757.52) x
4863	Gillette, WY	Kmart	09/06/18 (31)	18.31	11/25/18 (43)	18.45	(520,125.44) x
7021	Cape girardeau, MO	Kmart	09/06/18 (31)	18.31	11/25/18 (43)	18.45	(503,695.33) x
7289	Steger, IL	Kmart	09/06/18 (31)	18.31	11/25/18 (43)	18.45	(657,508.51) x
3724	Scott depot, WV	Kmart	09/27/18 (34)	18.34	11/25/18 (43)	18.45	(491,804.95) x
4868	Riverhead, NY	Kmart	09/27/18 (34)	18.34	11/25/18 (43)	18.45	(686,070.49) x
7225	Los angeles, CA	Kmart	09/27/18 (34)	18.34	11/25/18 (43)	18.45	(1,029,550.30) x
7719	Columbus, MS	Kmart	09/27/18 (34)	18.34	11/25/18 (43)	18.45	(593,090.58) x
3531	Pinole, CA	Kmart	10/11/18 (36)	18.36	12/09/18 (45)	18.47	(715,419.17) x
3396	Poughkeepsie, NY	Kmart	10/18/18 (37)	18.37	12/16/18 (46)	18.48	(833,695.26) x
<b>Total</b>	<b>Kmart</b>						<b>(11,266,540.39)</b>

Start of GOB in excess of 4 weeks

Sears Kmart Consolidated  
(11,921,183.91) (5,946,319.68) (18,867,503.59) (4)

**Sears Holdings Corporation**  
**Borrowing Base Certificate**  
**Stock Ledger Reconciliation**  
**As of 10/6/2018**

A04103 Merchandise Sales

774,938,802

responsibility to manage

Inventory @ Cost GP Inventory @ Cost GP Calculated  
Internal Analysis Internal Analysis  
HTD(Sale) HTD(Sale)



**Sears Holdings Corporation**  
**Borrowing Base Certificate**  
**Inventory in Foreign Location**  
As of 10/6/2018

Foreign

	-	
	-	
Total Foreign	<u>          "          </u>	(I)

**Sears Holdings Corporation**  
**Borrowing Base Certificate**  
**Ineligible Inventory**

As of 10/6/2018

<b>Division</b>	<b>Amount</b>	
DIV0774 SEAFOOD	-	
BUS0008 RESTAURANT	349,024	
DIV0071 READERS MARKET	1,618,401	
DIV0074 WHOLESALER FRT/FEES	-	
DIV0079 GASOLINE	-	
DPT0192 LIVE PLANTS	1,072,100	(K6)
GRP1245 DECORATIVE FLOWERS	66,869	(K6)



Sears Holdings Corporation  
Borrowing Base Certificate  
Eligible Credit Card Receivables  
As of 10/6/2018

	Total Sears	Less Accounting Adjustment	Less Orchard	Total Sears (excluding Orchard and Accounting Adj)	Total Kmart	Accounting Adjustment	Total Kmart (excluding Accounting Adj)
11500 A/R SEARS MASTERCARD	799	-	-	799	-	-	-
11505 A/R COMMERCIAL ONE	-	-	-	-	-	-	-
11506 BLUE TARP BASE COMM 1	-	-	-	-	-	-	-
11507 BLUE TARP BASE COMM 1 R	-	-	-	-	-	-	-
11510 A/R DEBIT CARDS	1,385,023,570	-	-	1,385,023,570	-	-	-
11511 A/R DEBIT CARDS SETTLEMENT	(1,385,034,045)	-	-	(1,385,034,045)	-	-	-
11512 HSBC SALES & PYMTS CLEARANCE	-	-	-	-	-	-	-
11513 WEX Card Sales	-	-	-	-	-	-	-
11515 A/R DISCOVER CARD SETTLEMENT	(13,425,987)	-	-	(13,425,987)	-	-	-
11516 A/R DISCOVER CARD SALES	13,423,611	-	-	13,423,611	-	-	-
11517 A/R DISCOVER CARD PAYMENTS	-	-	-	-	-	-	-
11518 A/R DISCOVER CARD DEL BILL	-	-	-	-	-	-	-
11519 A/R BARCLAYS	-	-	-	-	-	-	-
11525 A/R AMERICAN EXPRESS	415,124,805	-	-	415,124,805	-	-	-
11526 A/R AMERICAN EXPRESS SETTLEMENT	(415,143,664)	-	-	(415,143,664)	-	-	-
11527 A/R PAYPAL	-	-	-	-	-	-	-
11528 Eblime Receivable	-	-	-	-	-	-	-
11530 A/R VISA MC SETTLEMENT	(3,037,919,543)	-	-	(3,037,919,543)	-	-	-
11531 A/R VISA MC SALES	3,037,965,897	-	-	3,037,965,897	-	-	-
11532 A/R VISA MC PRIOR MONTH	-	-	-	-	-	-	-
11535 A/R SEARS CARD	11,709	-	-	11,709	-	-	-
19310 Kmart Cash 3rd Party Recble	-	-	-	-	-	-	-
<b>A01115 Bankcard Transactions</b>	<b>27,152</b>	-	-	<b>27,152</b>	-	-	-
10470 CHARGE CARD DEPOSITS	-	-	-	-	89,403	-	89,403
10471 HSBC KMART	-	-	-	-	1	-	1
10472 CC 3RD PARTY IN-TRANSIT	50,301,742	-	-	50,301,742	13,888,793	-	13,888,793
10480 INSTALLMENT LOANS	-	-	-	-	-	-	-
10490 Other Charge Card Deposits	-	-	-	-	-	-	-
<b>A01106 Credit Card Deposits in Transit</b>	<b>50,301,742</b>	-	-	<b>50,301,742</b>	<b>13,978,197</b>	-	<b>13,978,197</b>
10333 BANK OF AMERICA #1	(7,980)	-	-	(7,980)	1	-	1
10334 MELLON/RADIX(DISCOVER PYMT)	-	-	-	-	-	-	-
<b>10334 MELLON/RADIX(DISCOVER PYMT)</b>	<b>(7,980)</b>	-	-	<b>(7,980)</b>	<b>1</b>	-	<b>1</b>
10472 CC 3RD PARTY IN-TRANSIT	-	-	-	-	1	-	1
10472 CC 3RD PARTY IN-TRANSIT	568,040	-	-	568,040	-	-	-
<b>Total Eligible Credit Card Receivables</b>				<b>49,752,874</b>			<b>13,978,197</b>

(L)

memo  
Bankcard transactions represents Sears branded card sales (Citi) that settle 2-3 days after period close (approx)  
Credit Card Deposits in Transit represent third party i.e. Visa, Amex, that settle 2-3 days after period close (approx)  
We consider all of these transactions as credit card receivables in the calculation.

Sears Holdings Corporation  
Borrowing Base Certificate  
Gift Card Liability  
As of 10/6/2018

Type of Card	Amount	
Lands' End Summary Hist	A02113 Gift Certificates	-
39001 SEARS GIFT CARD:	A02113 Gift Certificates	(34,519,453)
39002 KMART GIFT CARD	A02113 Gift Certificates	(5,612,218)
39005 PUERTO RICO GIFT CAR	21248 GC LIABILITY-SEARS PUERTO RICO	(304,245)
39005 PUERTO RICO GIFT CAR	21247 GC LIABILITY-KMART PUERTO RICO	(140,749)
	Sears Gift Card Liability	(34,823,698) (M)
	Kmart Gift Card Liability	(5,752,967) (M)
	Sears Gift Card Liability (50%)	(17,411,849)
	Kmart Gift Card Liability (50%)	(2,876,484)

Sears Holdings Corporation  
Borrowing Base Certificate  
Distribution Rent Reserve  
As of 10/9/2018

Location	Rent	DC Satellite Facility Rent	Storage Rent	Storage Rent	Total Full Year Rent	2 Months if Inventory > \$25M	Merchandise Inventory
00087 ONTARIO - ONLI	-	-	-	-	-	-	08287 ONTARIO RDC 34,310,150
08287 ONTARIO RDC	1,711,500	-	-	-	1,711,500	285,250	08287 ONTARIO RDC 34,310,150
08272 SPARKS RDC	-	-	-	-	-	-	08272 SPARKS RDC -
08273 LAWRENCE R	305,256	-	-	-	305,256	50,876	08273 LAWRENCE RDC 28,686,500
08290 DENVER RDC	4,030,475	-	-	-	4,030,475	-	08290 DENVER RDC -
08299 SHAKOPEE R	-	-	-	-	-	-	08299 SHAKOPEE RDC -
08275 MORRISVILLE	1,303,991	-	-	-	1,303,991	217,332	08275 MORRISVILLE 36,421,695
08276 KMART PUERTO	-	-	-	-	-	-	08975 RIO PIEDRAS PR 16,567,860
08274 CANTON DC	-	-	-	-	-	-	08274 CANTON DC -
08288 GREENSBORO	-	-	-	-	-	-	08288 GREENSBORO -
08303 CORSICANA DC	-	-	-	-	-	-	08303 CORSICANA DC -
08781 CHAMBERSBURG	4,212,032	-	-	261,521	4,473,553	745,592	08781 CHAMBERSBURG 50,595,372
08936 GROVEPORT RS	7,247	-	-	-	7,247	-	08936 GROVEPORT RSC -
08937 FOREST PARK R	-	-	-	-	-	-	08937 FOREST PARK RSC -
07991 EDISON (ADS) TPW-KM	-	-	-	-	-	-	07991 EDISON (ADS) TPW-KM -
08780 MIRA LOMA RSC	3,507,760	-	-	-	3,507,760	584,630	08780 MIRA LOMA RSC 47,151,141
07992 MIRA LOMA FDC-KMAR	-	-	-	-	-	-	07992 MIRA LOMA FDC-KMAR -
<b>Kmart Logistics</b>	<b>15,078,281</b>	-	-	<b>261,521</b>	<b>15,339,802</b>	<b>1,883,680</b>	(N)
00020 COLUMBUS - ONLIN	-	-	-	-	-	-	00420 COLUMBUS - RRC -
45373 COLUMBUS RRC	-	-	-	-	-	-	00420 COLUMBUS - RRC -
45432 COLUMBUS DDC	3,348,660	-	-	-	3,348,660	-	08862 COLUMBUS - DDC 15,301,094
08712 COLUMBUS - MDO	-	-	-	-	-	-	08712 COLUMBUS - MDO 908,694
45081 COLUMBUS - MDO	292,221	-	-	-	292,221	-	08712 COLUMBUS - MDO 908,694
00443 WILKES-BARRE - RI	-	-	-	-	-	-	00443 WILKES-BARRE - RR 45,429,552
45376 WILKES-BARRE RRC	-	3,528,290	-	-	3,528,290	588,048	00443 WILKES-BARRE - RR 45,429,552
00047 DC CUST DIR FULFI	-	-	-	-	-	-	00470 MANTENO CDFC 30,341
45375 MANTENO RRC	2,739,480	-	-	-	2,739,480	456,580	00440 MANTENO - RRC 45,275,165
00448 DELANO - ONLINE C	-	-	-	-	-	-	00449 DELANO RRC 63,505,606
45379 DELANO RRC	481,200	-	-	-	481,200	80,200	00449 DELANO RRC 63,505,606
08110 MIRA LOMA FDC-SEAR	-	-	-	-	-	-	08110 MIRA LOMA FDC-SEAR -
08710 GROVE CITY - CRC	-	-	-	-	-	-	08710 GROVEPORT - CRC 2,172,861
08744 ALLENTOWN - MDO	-	-	-	-	-	-	08744 ALLENTOWN - MDO 688,701
45177 ALLENTOWN - MDO	350,352	-	-	-	350,352	-	08744 ALLENTOWN - MDO 688,701
08776 OLIVE BRANCH/MEMPHIS-DDC	-	-	-	-	-	-	08776 OLIVE BRANCH-DDC 12,054,831
45431 OLIVE BRANCH DDC	2,048,800	-	-	-	2,048,800	-	08776 OLIVE BRANCH-DDC 12,054,831
08815 SUNRISE - MDO	-	-	-	-	-	-	08815 SUNRISE - MDO 490,052
45149 SUNRISE - MDO	573,891	-	-	-	573,891	-	08815 SUNRISE - MDO 490,052
08838 MDO - DOS INVENTOR	-	-	-	-	-	-	08838 MDO - DOS INVENTOR 153,456
45185 CHESAPEAKE - MDO	156,596	-	-	-	156,596	-	08838 MDO - DOS INVENTOR 153,456
08873 GOULDSBORO-DDC	-	-	-	-	-	-	08873 GOULDSBORO-DDC 22,294,982
45564 GOULDSBORO DDC	4,381,020	-	-	-	4,381,020	-	08873 GOULDSBORO-DDC 22,294,982
08975 RIO PIEDRAS PR	-	-	-	-	-	-	08975 RIO PIEDRAS PR 16,567,860
45056 RIO PIEDRAS OPER	527,283	-	61,020	-	588,303	-	45056 RIO PIEDRAS OPER -
00433 MIDDLETOWN - TD	-	-	-	-	-	-	00433 MIDDLETOWN - TDC 4,402,858
45459 MIDDLETOWN - TD	2,313,313	-	-	-	2,313,313	-	00433 MIDDLETOWN - TDC 4,402,858
09323 WOODLAND - CRC	-	-	-	-	-	-	09323 WOODLAND - CRC -
09483 ATLANTA - CRC	-	-	-	-	-	-	09483 ATLANTA - CRC -
45460 ATLANTA - TDC	-	-	-	-	-	-	00435 ATLANTA - TDC (CLS) -
45053 KENT ANNEX	-	-	-	-	-	-	45053 KENT ANNEX -
45415 KENT DDC	-	483,624	-	-	483,624	-	08709 KENT - DDC 10,898,548
45055 JACKSONVILLE -	-	-	-	-	-	-	45055 JACKSONVILLE -
45422 JACKSONVILLE DDC	1,674,565	-	-	-	1,674,565	-	08781 INNOVOCAL Ocala DDC 14,663,405
45374 JACKSONVILLE RRC	-	400,230	-	-	400,230	67,705	00425 JACKSONVILLE RRC 27,777,502
45417 ONTARIO - DDC	3,799,572	-	-	-	3,799,572	-	08729 ONTARIO - DDC 22,027,362
45438 DALLAS DDC	192,530	-	-	-	192,530	-	08870 DALLAS - DDC 24,941,286
45439 ROMEVILLE - DDC	2,867,040	-	-	-	2,867,040	-	08871 ROMEVILLE - DDC 15,323,784
45440 PENDERGRASS DDC	2,522,204	-	-	-	2,522,204	-	08872 PENDERGRASS - DD 15,063,808
45368 NAPERVILLE - SLS	2,882,383	-	-	-	2,882,383	-	SONL DOM 09300 I 12,051,664
45575 STOCKTON DDC	3,241,073	-	-	-	3,241,073	-	08915 STOCKTON DDC 13,761,038
45377 MEMPHIS RRC	-	-	-	-	-	-	00446 MEMPHIS - RRC -
45378 GARLAND RRC	1,485,843	-	-	-	1,485,843	247,641	00447 GARLAND - RRC 32,970,894
45443 NAPERVILLE-TGIDC - SLS	-	-	-	-	-	-	45443 NAPERVILLE-TGIDC - SLS -
45595 DART WAREHOUSE-KC	-	-	-	-	-	-	08198 NAPERVILLE(DART) TPW-KCC -
08823 DULLES - MDO	-	-	-	-	-	-	08823 DULLES - MDO 291,092
08897 KENT - MIXLOAD	-	-	-	-	-	-	08897 KENT - MIXLOAD 852,157
PRDIST 08975 ROYER	581,943	-	-	-	581,943	-	PRDIST 08975 ROYER/S 16,681,137
45303 SLS - TRANS RRC IIB OTH	-	-	-	-	-	-	45303 SLS - TRANS RRC IIB OTH -
<b>Sears Logistics</b>	<b>36,457,969</b>	<b>4,398,144</b>	<b>61,020</b>	-	<b>40,917,133</b>	<b>1,440,174</b>	(N)
<b>Total SHC</b>	<b>51,536,250</b>	<b>4,398,144</b>	<b>61,020</b>	<b>261,521</b>	<b>56,256,935</b>	<b>3,323,854</b>	

Sears Holdings Corporation  
Borrowing Base Certificate  
Store Rent Reserve  
As of 10/6/2018

	2 Months						
	Rent	Rent	Rent	Percentage Rent	Common Area Maintenance	Common Area Maintenance	Total
Kmart Total	1,367,883	155,663	1,523,546	78,715	2,936,832	-	3,549,683
							(0)
Sears Total	405,662	312,259	717,921	74,475	3,688,128	31,347	2,125,637
							(0)

Sears Holdings Corporation  
Borrowing Base Certificate  
PACA PASA  
As of 10/6/2018

DUNSNOX

VNAME	RAPS PENDING
605709 BELAU FARMS	514.30
539874 CHEF KO SAUSAGE COMPANY	-286.22
976824 LA CONFISERIE INC	654.02
130514110 OROWEAT FOODS CO	0.00

Sears Holdings Corporation  
Borrowing Base Certificate  
Credit Card Receivables Owed to PR  
As of 10/6/2018

Location	Amount	3 days of monthly revenue	
INIDEK 02525 CAYEY, PR	-	-	
INIDEK 02535 JUANA DIAZ, PR	(1,825)	(183)	
INIDEK 02575 VEGA ALTA, PR	(1,462)	(146)	
INIDEK 02585 YAUCO, PR	(1,719)	(172)	
INIDEK 02870 GUAYNABO, PR	(1,392)	(139)	
INIDEK 02871 BAYAMON, PR	(3,296)	(330)	
INIDEK 04738 CAROLINA, PR	(1,785)	(179)	
INIDEK 09072 RIO PIEDRAS, PR	(2,605)	(261)	
<b>Total Monthly Revenues SPC - PR from Kmart</b>	<b>(14,084)</b>	<b>(1,408)</b>	(Q)
FLS 01085 CAGUAS, PR	(125,371)	(12,537)	
FLS 01935 MAYAGUEZ, PR	(108,345)	(10,835)	
FLS 01945 PONCE, PR	(109,118)	(10,912)	
FLS 02355 HATILLO, PR	(73,118)	(7,312)	
FLS 02675 GUAYAMA, PR	(19,488)	(1,949)	
FLS 01905 SAN JUAN, PR	(249,107)	(24,911)	
FLS 01915 BAYAMON, PR	(35,377)	(3,538)	
FLS 01925 CAROLINA, PR	(93,098)	(9,310)	
FLS 02085 FAJARDO, PR	(36,166)	(3,617)	
FLS 08463 SAN JUAN, PR	-	-	
FLSONLPR09313 MANTENO, IL	-	-	
SVCCPA 08759 BAYAMON, PR	-	-	
SVCCPA 09470 BAYAMON, PR	-	-	
INSVCS 07472 GUAYNABO, PR	-	-	
CSCTRS 04416 RIO PIEDRAS, PR	-	-	
<b>Total Monthly Revenues SPC - PR from Sears</b>	<b>(849,188)</b>	<b>(84,919)</b>	(Q)
<b>Total SHC</b>		<b>(86,327)</b>	



**Sears Holdings Corporation**  
**Borrowing Base Certificate**  
**Letter of Credit % - OTW In-transit**  
As of 10/6/2018

186,131,477.71	W	Wire	92.5%
15,158,064.20	L	L.C	7.5%
15,575.50	F	Free goods	0.0%
201,305,117.41		OTW As of 10/6/18	

(R)

**Sears Holdings Corporation**  
**Borrowing Base Certificate**  
**Pharmacy Accounts Receivable**  
As of 10/6/2018

Reporting Divisions  
Kmart Operations  
External Analysis  
2018 Actuals  
HTD(Sep)

11110 A/R - PHARMACY RECEIVABLE

14,510,723 (S1)



IC455MOA  
KIMART CORPORATION - PHARMACY CLAIMS  
AGING OF CLAIMS AND UNAPPLIED CASH - BY CARRIER AS OF 09/07/18

PDX	September		August		July		June		May		April		March/February+		TOTAL	TOTAL	TRUE
	CLAIMS	CHECKS	CLAIMS	CHECKS	CLAIMS	CHECKS	CLAIMS	CHECKS	CLAIMS	CHECKS	CLAIMS	CHECKS	CLAIMS	CHECKS			
Name	0-30	0-30	31-60	31-60	61-90	61-90	91-120	91-120	121-150	121-150	151-180	151-180	181+	181+	CLAIMS	CHECKS	RECEIVABLE

Tracking Summary			
	Sears	Kmart	Consolidated
<b>Inventory Ineligibles</b>			
Located at property not owned/leased by Loan Parties except Dealer Stores	\$ -	\$ -	\$ -
Accrued inventory without receiver in stock ledger	\$ -	\$ -	\$ -
Closed store inventory in excess of four weeks	\$ 11.9	\$ 6.9	\$ 18.9
Pack away in excess of 12 months	\$ -	\$ -	\$ -
Layaway, sold not delivered (1)	\$ 82.2	\$ 1.4	\$ 83.7
Supplies, packaging, shipping materials (2)	\$ -	\$ -	\$ -
Wholesale inventory as a percent of total inventory			7.61%
<b>Inventory Reserves</b>			
Consignment A/P	\$ -	\$ 0.5	\$ 0.5
Lottery A/P (3)	\$ -	\$ -	\$ -
Ad Valorem Taxes (TX, TN, KY, AL) (4)	\$ 9.4	\$ -	\$ 9.4
Royalty A/P	\$ 2.2	\$ 3.1	\$ 5.3
Pension Liability (5)	\$ 1,179.3	\$ -	\$ 1,179.3
Credit Card Receivable owed to PR	\$ 0.1	\$ 0.0	\$ 0.1
Landing Costs	\$ -	\$ 2.5	\$ 2.5
Dealer Store A/P	\$ -	\$ -	\$ -

(1) Amount reflected is unshipped, layaway is a non-stock ledger amount not reflected in BBC

(2) Supplies are removed from stock ledger

(3) Funded bank account, no liability outstanding

(4) Reflects 2016 annual payments, Sears and Kmart combined

(5) Contains both Kmart and Sears pension plans



# Exhibit G

SEE NATIVE FILE

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**GOB Store Performance (Post-Ch. 11 Bankruptcy Filing)**

Announce Date	Store Format	# GOB Stores	GOB Sales	Goods Available at Cost	Goods Available per Store	Gross Recovery %	Total GOB Expenses	GOB Expense per Store	Net Recovery %
10/15/18	FLS	77	\$ 251,199,766	\$ 205,725,578	\$ 2,671,761	122.1%	\$ 49,128,863	\$ 638,037	98.6%
	Kmart	65	\$ 197,658,880	\$ 171,692,459	\$ 2,641,422	115.1%	\$ 36,852,757	\$ 566,965	94.8%
	FLS+Kmart	142	\$ 448,858,646	\$ 377,418,037	\$ 2,657,874	118.9%	\$ 85,981,620	\$ 605,504	96.9%
11/8/18	FLS	29	\$ 71,762,679	\$ 58,587,791	\$ 2,020,269	122.5%	\$ 12,736,335	\$ 439,184	100.6%
	Kmart	11	\$ 40,583,110	\$ 34,358,332	\$ 3,123,485	118.1%	\$ 8,281,100	\$ 752,827	95.2%
	FLS+Kmart	40	\$ 112,345,789	\$ 92,946,123	\$ 2,323,653	120.9%	\$ 21,017,435	\$ 525,436	98.6%
12/27/18	FLS	43	\$ 98,267,824	\$ 81,372,001	\$ 1,892,372	120.8%	\$ 20,878,800	\$ 485,553	96.1%
	Kmart	37	\$ 74,586,254	\$ 65,463,890	\$ 1,769,294	113.9%	\$ 16,155,319	\$ 436,630	91.4%
	FLS+Kmart	80	\$ 172,854,078	\$ 146,835,891	\$ 1,835,449	117.7%	\$ 37,034,119	\$ 462,926	94.0%
Totals	FLS	149	\$ 390,050,700	\$ 321,455,911	\$ 2,157,422	121.3%	\$ 78,288,763	\$ 525,428	97.6%
	Kmart	113	\$ 384,590,923	\$ 330,102,472	\$ 2,921,261	116.5%	\$ 74,025,510	\$ 655,093	95.2%
	FLS+Kmart	262	\$ 774,641,623	\$ 651,558,383	\$ 2,486,864	118.9%	\$ 152,314,273	\$ 581,352	96.4%

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**GOB Period (12 Weeks)**

**Begins** 10/21/18  
**Ends** 01/06/19

Kmart Retail Old STR03097 COUNCIL BLUFFS IA  
Kmart Retail Old STR03133 BELLINGHAM WA  
Kmart Retail Old STR03239 KANSAS CITY MO  
Kmart Retail Old STR03251 INDIANAPOLIS IN  
Kmart Retail Old STR03308 LAKE ORION MI  
Kmart Retail Old STR03345 MODESTO CA  
Kmart Retail Old STR03361 ALLENTOWN PA  
Kmart Retail Old STR03393 GLASSBORO NJ  
Kmart Retail Old STR03424 GAINESVILLE FL  
Kmart Retail Old STR03483 ONTARIO CA  
Kmart Retail Old STR03600 SCHENECTADY NY  
Kmart Retail Old STR03654 OXON HILL MD  
Kmart Retail Old STR03713 COVINGTON GA  
Kmart Retail Old STR03793 MIAMI FL  
Kmart Retail Old STR03807 PRINCE FREDERICK MD  
Kmart Retail Old STR03808 STATESVILLE NC  
Kmart Retail Old STR03820 CHARLEVOIX MI  
Kmart Retail Old STR03823 JASPER IN  
Kmart Retail Old STR03884 MATAMORAS PA  
Kmart Retail Old STR03941 RUSSELL SPRINGS KY  
Kmart Retail Old STR03945 DELANO CA  
Kmart Retail Old STR03978 PEACHTREE CITY GA  
Kmart Retail Old STR03982 LEMOORE CA  
Kmart Retail Old STR04010 PITTSBURGH PA  
Kmart Retail Old STR04026 ST JOSEPH MO  
Kmart Retail Old STR04054 NEW KENSINGTON PA  
Kmart Retail Old STR04112 ASHEVILLE NC  
Kmart Retail Old STR04123 NIAGARA FALLS NY  
Kmart Retail Old STR04150 ALTOONA PA  
Kmart Retail Old STR04188 CHARLESTON WV  
Kmart Retail Old STR04215 KANSAS CITY KS  
Kmart Retail Old STR04257 CLEVELAND OH  
Kmart Retail Old STR04297 MOLINE IL  
Kmart Retail Old STR04304 FLORISSANT MO  
Kmart Retail Old STR04433 QUINCY IL  
Kmart Retail Old STR04450 RALEIGH NC  
Kmart Retail Old STR04455 BEAVERTON OR  
Kmart Retail Old STR04706 RIVERSIDE CA  
Kmart Retail Old STR04736 CASPER WY  
Kmart Retail Old STR04741 BATAVIA NY  
Kmart Retail Old STR07043 ROCK HILL SC  
Kmart Retail Old STR07169 SALINA KS  
Kmart Retail Old STR07209 EAST LIVERPOOL OH  
Kmart Retail Old STR07223 METAIRIE LA  
Kmart Retail Old STR07229 GRAYSON KY

Net Merchandise Sales	Total Beg Inv at Cost	Receipts at Cost
2,923,070	1,725,651	927,989
2,701,138	1,785,995	771,008
2,128,470	1,312,549	527,598
2,831,469	1,971,468	798,286
2,667,262	1,679,910	704,003
3,450,083	2,164,453	1,000,444
2,707,676	1,560,585	802,325
3,190,139	1,715,910	894,788
3,832,139	2,159,503	970,361
3,513,218	1,861,324	925,789
4,118,988	2,109,835	1,347,337
3,759,670	2,017,186	1,223,972
3,174,606	2,077,751	613,280
4,194,331	2,417,410	1,275,576
3,413,459	1,966,329	772,144
2,796,116	1,747,791	653,212
2,104,209	1,603,740	487,028
2,703,081	1,812,691	589,729
3,465,430	2,067,367	893,558
2,331,813	1,631,756	654,081
3,173,786	2,074,124	794,952
2,736,952	1,672,816	576,173
3,952,736	2,300,001	1,059,505
2,544,283	1,491,267	822,354
2,846,550	2,767,284	80,266
2,950,429	1,743,429	706,097
2,516,565	1,709,754	452,260
3,465,610	2,250,260	658,972
3,732,294	2,376,969	871,258
3,004,543	2,196,901	635,628
2,882,664	1,916,733	636,440
3,325,427	1,793,907	939,283
3,118,587	1,789,066	838,845
3,779,698	2,670,669	699,231
3,284,600	2,195,045	610,225
1,978,279	1,523,327	346,719
2,597,878	1,812,387	628,056
4,284,367	2,192,447	1,348,475
2,761,174	1,818,275	692,562
3,553,579	2,229,363	749,372
2,881,493	1,885,793	584,890
2,656,970	2,026,431	476,661
2,698,805	1,677,676	642,532
3,325,741	1,942,996	830,983
2,774,624	2,082,025	463,067

Kmart Retail Old	STR07259 WILLIAMSBURG VA	2,660,267	1,666,506	590,755
Kmart Retail Old	STR07274 MAULDIN SC	2,900,234	1,793,539	640,587
Kmart Retail Old	STR07415 SPRINGFIELD VA	2,836,879	1,490,818	723,935
Kmart Retail Old	STR07460 KNOXVILLE TN	2,377,731	1,625,186	447,354
Kmart Retail Old	STR07470 HUMMELSTOWN PA	3,145,198	1,931,477	729,257
Kmart Retail Old	STR07471 PLACERVILLE CA	3,181,605	1,666,787	1,018,544
Kmart Retail Old	STR07717 WAYNESBORO VA	3,064,722	1,895,373	581,969
Kmart Retail Old	STR07746 CARLISLE PA	2,835,361	1,731,510	609,043
Kmart Retail Old	STR09222 CHEROKEE IA	1,599,177	1,013,018	446,140
Kmart Retail Old	STR09309 WEBSTER CITY IA	1,681,825	1,037,589	463,776
Kmart Retail Old	STR09348 NORRIDGE IL	5,487,530	2,801,864	1,808,284
Kmart Retail Old	STR09354 GRIFFITH IN	4,215,648	2,368,989	1,288,905
Kmart Retail Old	STR09392 WEST SENECA NY	4,511,137	2,906,833	966,248
Kmart Retail Old	STR09409 PHOENIXVILLE PA	2,751,694	1,499,649	769,932
Kmart Retail Old	STR09415 MAHOPAC NY	2,336,986	1,600,444	617,669
Kmart Retail Old	STR09438 PLEASANT HILLS PA	3,036,277	1,934,277	714,889
Kmart Retail Old	STR09521 MADAWASKA ME	1,562,401	1,172,487	448,578
Kmart Retail Old	STR09539 THORNDALE PA	2,495,712	1,533,485	528,848
Kmart Retail Old	STR09711 RUSSELLVILLE AR	2,482,779	1,481,713	576,806
Kmart Retail Old	STR09761 VISALIA CA	3,661,716	2,137,495	926,438
		<b>197,658,880</b>	<b>122,817,188</b>	<b>48,875,271</b>
Full Line Stores Total Old	STR01004 GARDEN CITY NY	5,674,221	2,905,395	2,100,955
Full Line Stores Total Old	STR01006 OCALA FL	3,383,201	1,776,700	1,097,214
Full Line Stores Total Old	STR01019 PLEASANTON CA	2,253,798	2,034,358	504,477
Full Line Stores Total Old	STR01052 SAINT PAUL MN	2,910,344	1,814,162	850,993
Full Line Stores Total Old	STR01064 LANGHORNE PA	3,119,657	1,893,425	648,331
Full Line Stores Total Old	STR01071 LAKEWOOD CO	3,715,941	2,512,740	892,132
Full Line Stores Total Old	STR01078 MESA AZ	3,035,344	1,771,970	898,748
Full Line Stores Total Old	STR01079 PORTLAND OR	4,877,087	2,431,509	1,705,658
Full Line Stores Total Old	STR01080 FRISCO TX	2,538,914	1,458,709	564,846
Full Line Stores Total Old	STR01112 MINNETONKA MN	2,864,168	1,557,108	864,180
Full Line Stores Total Old	STR01115 CHATTANOOGA TN	2,645,361	1,377,541	806,720
Full Line Stores Total Old	STR01131 CENTENNIAL CO	2,434,753	1,475,891	636,014
Full Line Stores Total Old	STR01134 MILFORD CT	3,926,677	2,424,162	1,031,248
Full Line Stores Total Old	STR01137 AUSTIN TX	2,313,514	1,370,347	608,314
Full Line Stores Total Old	STR01146 MEMPHIS TN	4,572,100	2,331,970	1,392,369
Full Line Stores Total Old	STR01151 TULSA OK	2,302,426	1,417,173	765,862
Full Line Stores Total Old	STR01169 CHANDLER AZ	3,231,165	1,890,929	805,226
Full Line Stores Total Old	STR01193 WATERFORD CT	4,034,591	2,071,128	982,223
Full Line Stores Total Old	STR01227 DALLAS TX	3,500,147	2,178,968	813,239
Full Line Stores Total Old	STR01229 BOISE ID	2,953,223	1,652,762	790,000
Full Line Stores Total Old	STR01247 LUBBOCK TX	2,920,499	1,776,415	673,537
Full Line Stores Total Old	STR01250 LINCOLN PARK MI	5,746,477	3,236,365	1,230,832
Full Line Stores Total Old	STR01277 SAN ANTONIO TX	4,117,163	2,473,337	912,060
Full Line Stores Total Old	STR01287 ALBUQUERQUE NM	2,901,099	1,506,422	869,862
Full Line Stores Total Old	STR01318 BAKERSFIELD CA	5,826,680	3,172,042	1,159,020
Full Line Stores Total Old	STR01357 AUSTIN TX	3,104,188	1,688,619	906,526
Full Line Stores Total Old	STR01388 COSTA MESA CA	7,599,467	4,012,645	1,902,037
Full Line Stores Total Old	STR01390 ANN ARBOR MI	3,616,191	1,992,176	820,328
Full Line Stores Total Old	STR01395 KNOXVILLE TN	2,853,391	1,469,647	802,153
Full Line Stores Total Old	STR01403 NATICK MA	2,830,416	1,347,320	843,791
Full Line Stores Total Old	STR01405 FAYETTEVILLE NC	4,625,624	2,510,509	1,164,078
Full Line Stores Total Old	STR01408 SACRAMENTO CA	4,908,080	2,796,316	1,132,358
Full Line Stores Total Old	STR01414 NANUET NY	5,305,368	2,976,456	1,273,437



Full Line Stores Total Old	STR01454 BENSLEM PA	3,426,706	1,925,928	770,994
Full Line Stores Total Old	STR01464 DEPTFORD NJ	4,650,880	2,430,819	1,151,476
Full Line Stores Total Old	STR01470 GREENWOOD IN	3,349,747	1,923,148	918,203
Full Line Stores Total Old	STR01518 CERRITOS CA	6,237,462	3,402,049	1,513,348
Full Line Stores Total Old	STR01564 NILES OH	2,317,210	1,249,364	753,091
Full Line Stores Total Old	STR01574 MIDDLETOWN NJ	4,034,847	2,358,009	893,582
Full Line Stores Total Old	STR01575 NEWPORT NEWS VA	3,775,262	2,349,660	885,071
Full Line Stores Total Old	STR01618 MODESTO CA	4,899,653	3,074,000	971,633
Full Line Stores Total Old	STR01646 PINEVILLE NC	3,235,644	1,632,782	955,511
Full Line Stores Total Old	STR01658 SANTA ROSA CA	4,081,407	2,644,240	1,078,126
Full Line Stores Total Old	STR01708 PHOENIX AZ	3,809,146	2,169,010	831,636
Full Line Stores Total Old	STR01709 HENDERSON NV	2,658,152	1,648,588	607,615
Full Line Stores Total Old	STR01740 JOLIET IL	4,199,304	2,217,796	1,168,388
Full Line Stores Total Old	STR01790 LOUISVILLE KY	2,669,195	1,467,986	732,139
Full Line Stores Total Old	STR01844 COLUMBIA MD	1,947,204	1,029,327	572,285
Full Line Stores Total Old	STR01944 YORKTOWN HGT NY	2,587,514	1,435,549	678,337
Full Line Stores Total Old	STR01955 LAKE LAND FL	3,361,192	1,683,373	937,830
Full Line Stores Total Old	STR01988 EL CENTRO CA	3,963,895	2,327,663	848,350
Full Line Stores Total Old	STR01998 MONTEBELLO CA	4,493,797	2,409,815	1,127,739
Full Line Stores Total Old	STR02034 BOWIE MD	3,300,089	1,949,373	906,709
Full Line Stores Total Old	STR02047 SIERRA VISTA AZ	2,684,964	1,451,668	584,757
Full Line Stores Total Old	STR02056 MARY ESTHER FL	2,919,262	1,489,167	758,744
Full Line Stores Total Old	STR02078 YUMA AZ	3,045,112	1,490,959	806,780
Full Line Stores Total Old	STR02119 SALEM OR	3,401,877	1,845,090	830,814
Full Line Stores Total Old	STR02124 DU BOIS PA	1,881,717	1,007,362	493,946
Full Line Stores Total Old	STR02147 IRVING TX	2,342,766	1,394,031	458,133
Full Line Stores Total Old	STR02225 GOLDSBORO NC	2,302,576	1,257,434	523,020
Full Line Stores Total Old	STR02245 MELBOURNE FL	3,384,428	1,563,245	1,058,375
Full Line Stores Total Old	STR02298 MERCED CA	3,184,916	1,583,526	881,105
Full Line Stores Total Old	STR02304 WESTOVER WV	1,670,781	924,976	467,872
Full Line Stores Total Old	STR02306 GADSDEN AL	2,852,943	1,442,309	808,876
Full Line Stores Total Old	STR02311 NORMAN OK	1,798,541	946,833	410,093
Full Line Stores Total Old	STR02330 PUYALLUP WA	2,776,073	1,414,003	863,359
Full Line Stores Total Old	STR02335 CLARKSVILLE TN	1,891,900	1,022,404	470,327
Full Line Stores Total Old	STR02341 CASPER WY	1,798,258	931,100	661,357
Full Line Stores Total Old	STR02537 HARLINGEN TX	2,716,836	1,358,233	936,937
Full Line Stores Total Old	STR02546 BOWLING GREEN KY	1,764,740	982,162	455,490
Full Line Stores Total Old	STR02565 BRADENTON FL	2,083,013	1,062,202	703,714
Full Line Stores Total Old	STR02584 LAKEWOOD NY	2,050,328	1,156,175	549,119
Full Line Stores Total Old	STR02600 TERRE HAUTE IN	2,059,709	1,050,300	611,563
Full Line Stores Total Old	STR02617 VICTORIA TX	2,018,502	1,089,648	545,600
Full Line Stores Total Old	STR02663 NEWINGTON NH	3,190,702	1,715,587	926,544
Full Line Stores Total Old	STR02805 PANAMA CITY FL	(30)	1,606,988	(1,617,367)
Full Line Stores Total Old	STR02963 WESTMINSTER MD	1,740,271	901,557	464,935
		251,199,766	141,320,654	64,404,924
Kmart + FLS		448,858,646	264,137,842	113,280,195

Announced 10/15/18  
65 Kmart Stores  
77 FLS Stores

Gross Recov % incl End Inv	Total End Inv at Cost	Gross Recov % excl End Inv
110.2%	83,924	113.8%
105.6%	214,486	115.3%
115.7%	49,913	118.9%
102.2%	219,830	111.0%
111.9%	63,068	114.9%
109.0%	247,727	118.3%
114.6%	46,376	116.9%
122.2%	(95,033)	117.9%
122.4%	76,037	125.5%
126.1%	(79,285)	122.6%
119.1%	34,186	120.3%
116.0%	198,391	123.6%
118.0%	110,661	123.0%
113.6%	216,684	120.7%
124.6%	20,887	125.6%
116.5%	104,387	121.7%
100.6%	14,289	101.3%
112.5%	93,167	117.1%
117.0%	140,156	122.9%
102.0%	178,686	110.7%
110.6%	95,440	114.4%
121.7%	27,343	123.2%
117.7%	130,914	122.4%
110.0%	83,403	114.1%
100.0%	362,909	114.6%
120.4%	83,627	124.7%
116.4%	67,130	120.1%
119.1%	90,274	122.9%
114.9%	116,552	119.2%
106.1%	156,155	112.3%
112.9%	226,549	123.9%
121.7%	111,749	126.9%
118.7%	31,181	120.1%
112.2%	216,038	119.8%
117.1%	101,770	121.5%
105.8%	49,710	108.7%
106.5%	209,929	116.5%
121.0%	172,618	127.2%
110.0%	68,890	113.1%
119.3%	43,903	121.1%
116.6%	102,729	121.7%
106.1%	118,425	111.4%
116.3%	44,700	118.6%
119.9%	94,296	124.1%
109.0%	49,138	111.2%

117.9%	82,208	122.3%
119.1%	52,099	121.8%
128.1%	54,097	131.3%
114.7%	104,316	120.8%
118.2%	90,379	122.4%
118.5%	101,585	123.1%
123.7%	74,769	127.6%
121.1%	53,441	124.0%
109.6%	15,492	110.8%
112.0%	17,127	113.3%
119.0%	122,123	122.3%
115.2%	89,111	118.1%
116.5%	179,764	122.1%
121.2%	(11,071)	120.7%
105.4%	99,328	110.3%
114.6%	163,360	122.1%
96.4%	23,381	97.8%
121.0%	42,685	123.6%
120.6%	24,341	122.1%
119.5%	93,195	123.3%
115.1%	6,265,639	119.5%
113.3%	418,221	123.7%
117.7%	116,866	122.7%
88.8%	628,680	118.0%
109.2%	282,539	122.1%
122.7%	72,875	126.4%
109.1%	500,699	128.0%
113.7%	198,800	122.8%
117.9%	250,122	125.5%
125.5%	66,692	129.7%
118.3%	138,413	125.5%
121.1%	58,766	124.5%
115.3%	82,051	119.9%
113.6%	262,017	123.0%
116.9%	49,877	119.9%
122.8%	225,345	130.7%
105.5%	250,073	119.1%
119.8%	115,973	125.2%
132.1%	26,187	133.3%
117.0%	248,801	127.6%
120.9%	46,668	123.3%
119.2%	36,312	121.0%
128.6%	112,128	131.9%
121.6%	174,152	128.2%
122.1%	47,682	124.6%
134.5%	108,082	138.0%
119.6%	132,884	126.1%
128.5%	208,384	133.2%
128.6%	116,555	134.1%
125.6%	117,068	132.4%
129.2%	(19,454)	128.0%
125.9%	188,410	132.7%
124.9%	265,159	134.0%
124.8%	274,958	133.5%

127.1%	93,544	131.6%
129.8%	114,234	134.1%
117.9%	181,598	125.9%
126.9%	107,460	129.7%
115.7%	73,152	120.1%
124.1%	127,876	129.2%
116.7%	174,685	123.4%
121.1%	261,595	129.5%
125.0%	96,840	129.9%
109.6%	475,270	125.7%
126.9%	136,651	133.0%
117.8%	168,867	127.3%
124.0%	83,047	127.1%
121.3%	56,934	124.5%
121.6%	29,808	123.9%
122.4%	61,680	126.1%
128.2%	(11,671)	127.7%
124.8%	114,352	129.5%
127.0%	(40,571)	125.6%
115.5%	187,222	123.7%
131.8%	23,770	133.4%
129.9%	76,286	134.4%
132.5%	(25)	132.5%
127.1%	77,593	130.9%
125.3%	27,860	127.7%
126.5%	105,326	134.1%
129.3%	(21,750)	127.8%
129.1%	53,509	131.8%
129.2%	(4,410)	129.0%
120.0%	(27,433)	117.6%
126.7%	33,988	128.7%
132.5%	(46,404)	128.2%
121.9%	128,125	129.2%
126.7%	17,827	128.3%
112.9%	50,114	116.6%
118.4%	50,297	121.0%
122.8%	42,600	126.5%
118.0%	20,795	119.4%
120.2%	24,859	122.0%
123.9%	84,897	130.6%
123.4%	33,308	126.0%
120.8%	45,983	122.9%
0.3%	0	0.3%
127.4%	15,021	128.8%
122.1%	9,106,694	127.8%
118.9%	15,372,333	124.0%

**GOB Period (12 Weeks)**

**Begins** 11/11/18  
**Ends** 01/27/19

		<b>Net Merchandise Sales</b>	<b>Total Beg Inv at Cost</b>	<b>Receipts at Cost</b>
Kmart Retail Old	STR03371 CHICAGO IL	4,258,396	2,421,379	1,049,893
Kmart Retail Old	STR03380 WATERVILLE ME	2,745,861	1,576,166	803,939
Kmart Retail Old	STR03527 PHILADELPHIA PA	3,479,291	1,847,165	932,231
Kmart Retail Old	STR03828 TEMECULA CA	3,376,606	1,784,030	843,342
Kmart Retail Old	STR03896 SAN GERMAN PR	4,297,439	3,280,759	662,961
Kmart Retail Old	STR04048 SPRINGFIELD IL	2,482,717	1,808,773	420,720
Kmart Retail Old	STR04064 NORTH VERSAILLES PA	2,974,930	1,836,553	607,430
Kmart Retail Old	STR04395 CUDAHY WI	2,352,014	1,607,608	351,605
Kmart Retail Old	STR04490 GUAYNABO PR	5,561,872	3,699,327	1,072,705
Kmart Retail Old	STR04858 CAGUAS PR	5,466,815	3,601,154	1,233,777
Kmart Retail Old	STR09381 HUNTINGTON NY	3,587,169	2,062,968	853,847
		<b>40,583,110</b>	<b>25,525,882</b>	<b>8,832,450</b>
Full Line Stores Total Old	STR01027 EL PASO TX	2,769,077	1,651,272	899,581
Full Line Stores Total Old	STR01043 MERIDEN CT	3,053,847	1,542,434	874,942
Full Line Stores Total Old	STR01065 GLEN ALLEN VA	1,763,276	1,174,237	342,194
Full Line Stores Total Old	STR01130 JANESVILLE WI	1,815,750	1,000,777	480,398
Full Line Stores Total Old	STR01166 MERIDIAN MS	1,675,775	1,129,946	261,570
Full Line Stores Total Old	STR01216 MEMPHIS TN	2,273,164	1,387,767	533,006
Full Line Stores Total Old	STR01315 CHATTANOOGA TN	2,575,184	1,389,424	730,234
Full Line Stores Total Old	STR01375 WINSTON SALEM NC	3,770,157	2,301,731	710,901
Full Line Stores Total Old	STR01424 BETHESDA MD	3,982,205	2,519,613	965,748
Full Line Stores Total Old	STR01484 READING PA	3,210,111	1,664,530	743,279
Full Line Stores Total Old	STR01755 BOYNTON BEACH FL	2,511,374	1,635,820	505,096
Full Line Stores Total Old	STR01768 PHOENIX AZ	2,871,198	1,542,129	812,769
Full Line Stores Total Old	STR01828 LAS VEGAS NV	3,462,974	1,929,951	774,970
Full Line Stores Total Old	STR02001 PIQUA OH	1,648,105	1,041,853	421,252
Full Line Stores Total Old	STR02040 BATTLE CREEK MI	2,182,472	1,056,252	632,137
Full Line Stores Total Old	STR02074 STROUDSBURG PA	2,565,316	1,328,420	674,515
Full Line Stores Total Old	STR02106 TUPELO MS	1,880,066	994,405	555,163
Full Line Stores Total Old	STR02138 SANTA BARBARA CA	4,565,999	2,474,537	1,028,277
Full Line Stores Total Old	STR02156 MARYVILLE TN	1,766,869	761,873	634,695
Full Line Stores Total Old	STR02173 SARATOGA SPGS NY	2,270,976	1,189,746	580,204
Full Line Stores Total Old	STR02226 MURFREESBORO TN	1,803,700	917,994	462,193
Full Line Stores Total Old	STR02278 IDAHO FALLS ID	2,450,466	1,124,346	879,802
Full Line Stores Total Old	STR02290 MICHIGAN CITY IN	1,650,863	839,084	514,605
Full Line Stores Total Old	STR02315 JENSEN BEACH FL	2,806,686	1,522,219	738,339
Full Line Stores Total Old	STR02421 GRAND ISLAND NE	1,788,328	1,113,912	464,822
Full Line Stores Total Old	STR02557 LONGVIEW TX	2,171,964	1,115,272	659,138
Full Line Stores Total Old	STR02683 WATERTOWN NY	2,210,318	1,209,544	461,473
Full Line Stores Total Old	STR02807 ROCK HILL SC	1,729,944	963,356	433,044
Full Line Stores Total Old	STR02819 FAIRBANKS AK	2,536,515	1,893,272	397,728
		<b>71,762,679</b>	<b>40,415,716</b>	<b>18,172,075</b>
<b>Kmart + FLS</b>		<b>112,345,789</b>	<b>65,941,598</b>	<b>27,004,525</b>

Announced 11/8/18  
11 Kmart Stores  
29 FLS Stores

Gross Recovery Rate %
122.7%
115.4%
125.2%
128.5%
109.0%
111.4%
121.7%
120.0%
116.6%
113.1%
123.0%
118.1%
108.6%
126.3%
116.3%
122.6%
120.4%
118.3%
121.5%
125.1%
114.3%
133.3%
117.3%
121.9%
128.0%
112.6%
129.3%
128.1%
121.3%
130.4%
126.5%
128.3%
130.7%
122.3%
122.0%
124.2%
113.3%
122.4%
132.3%
123.9%
110.7%
122.5%
120.9%

**GOB Period (12 Weeks)**

**Begins** 01/03/19  
**Ends** 03/17/19

Kmart Retail Old STR03013 CLEVELAND OH  
Kmart Retail Old STR03071 TOMS RIVER NJ  
Kmart Retail Old STR03147 KINGSPORT TN  
Kmart Retail Old STR03174 STOCKTON CA  
Kmart Retail Old STR03216 VERNON CT  
Kmart Retail Old STR03223 FORT WALTON BEACH FL  
Kmart Retail Old STR03256 BALTIMORE MD  
Kmart Retail Old STR03529 PITTSBURGH PA  
Kmart Retail Old STR03692 OCONOMOWOC WI  
Kmart Retail Old STR03699 APPLE VALLEY CA  
Kmart Retail Old STR03834 BURBANK CA  
Kmart Retail Old STR03839 CORVALLIS OR  
Kmart Retail Old STR03886 ASHEVILLE NC  
Kmart Retail Old STR04022 GRAND FORKS ND  
Kmart Retail Old STR04113 ERIE PA  
Kmart Retail Old STR04147 SPOKANE WA  
Kmart Retail Old STR04170 RAPID CITY SD  
Kmart Retail Old STR04351 ROCHESTER MN  
Kmart Retail Old STR04371 SANTA MARIA CA  
Kmart Retail Old STR04810 METAIRIE LA  
Kmart Retail Old STR04893 ELLENTON FL  
Kmart Retail Old STR04928 QUEENSBURY NY  
Kmart Retail Old STR04996 TUCSON AZ  
Kmart Retail Old STR07017 ROSWELL NM  
Kmart Retail Old STR07062 SUMTER SC  
Kmart Retail Old STR07065 HORSEHEADS NY  
Kmart Retail Old STR07677 WELLSVILLE NY  
Kmart Retail Old STR09030 PERU IN  
Kmart Retail Old STR09096 FOSTORIA OH  
Kmart Retail Old STR09274 GREENWICH NY  
Kmart Retail Old STR09319 ALLIANCE NE  
Kmart Retail Old STR09353 CRYSTAL CITY MO  
Kmart Retail Old STR09520 GULFPORT MS  
Kmart Retail Old STR09549 MORGANTON NC  
Kmart Retail Old STR09608 AUBURN CA  
Kmart Retail Old STR09619 MOREHEAD CITY NC  
Kmart Retail Old STR09735 SEVIERVILLE TN

Net Merchandise Sales	Total Beg Inv at Cost	Receipts at Cost
1,996,132	1,462,335	416,726
2,234,867	1,603,810	380,128
1,787,939	1,503,575	161,918
2,239,218	1,710,718	185,703
2,534,902	1,716,736	337,631
1,771,653	1,262,516	267,485
1,880,633	1,471,421	253,503
2,242,837	1,584,234	383,356
2,014,053	1,564,611	269,608
1,823,358	1,232,858	264,235
2,598,843	1,714,137	262,875
2,380,340	1,702,161	308,126
2,171,712	1,769,164	170,783
2,055,611	1,605,491	309,935
2,493,960	1,798,725	458,814
2,230,654	1,678,490	201,353
2,249,400	1,997,179	185,204
1,914,101	1,338,945	418,689
1,890,412	1,371,121	236,929
2,468,397	1,677,575	450,375
2,276,486	1,592,115	220,541
2,464,692	1,831,730	427,362
2,392,670	1,748,420	149,867
2,177,292	1,830,319	97,584
2,058,055	1,414,291	261,651
1,941,096	1,351,491	402,173
2,465,171	2,142,345	120,606
1,280,065	976,923	229,033
1,410,967	1,040,484	245,539
1,272,286	935,604	271,319
1,225,439	980,236	271,908
1,887,763	1,309,609	318,265
1,608,422	1,166,854	272,657
1,893,695	1,531,804	150,746
1,918,084	1,352,539	177,696
1,634,310	1,480,208	33,573
1,700,739	1,190,855	248,365
<b>74,586,254</b>	<b>55,641,629</b>	<b>9,822,261</b>
Full Line Stores Total Old STR01041 OMAHA NE	1,554,785	308,793
Full Line Stores Total Old STR01045 DURHAM NC	2,669,032	370,981
Full Line Stores Total Old STR01075 DAYTONA BEACH FL	2,358,566	340,385
Full Line Stores Total Old STR01111 COLORADO SPRINGS CO	2,238,194	432,399
Full Line Stores Total Old STR01120 DUBLIN OH	2,000,945	310,024
Full Line Stores Total Old STR01161 WICHITA KS	2,713,866	531,039
Full Line Stores Total Old STR01192 MUSKEGON MI	1,945,488	292,094

Full Line Stores Total Old	STR01207 RICHARDSON TX	2,253,515	1,272,342	416,156
Full Line Stores Total Old	STR01210 COLUMBUS OH	2,802,196	2,132,327	447,597
Full Line Stores Total Old	STR01221 COLORADO SPRINGS CO	2,957,520	1,659,321	632,697
Full Line Stores Total Old	STR01226 METAIRIE LA	3,832,837	2,493,726	616,991
Full Line Stores Total Old	STR01281 PUEBLO CO	2,530,950	1,454,547	597,671
Full Line Stores Total Old	STR01307 ABILENE TX	2,316,688	1,312,692	679,650
Full Line Stores Total Old	STR01328 LAS VEGAS NV	2,532,927	1,715,844	347,362
Full Line Stores Total Old	STR01337 PLANO TX	1,965,646	1,420,789	215,420
Full Line Stores Total Old	STR01367 WACO TX	2,406,349	1,511,800	384,382
Full Line Stores Total Old	STR01386 GOODLETTSVILLE TN	2,026,329	1,305,835	432,937
Full Line Stores Total Old	STR01387 AMARILLO TX	2,031,586	1,505,315	406,531
Full Line Stores Total Old	STR01475 DURHAM NC	1,797,632	1,131,981	364,972
Full Line Stores Total Old	STR01585 TALLAHASSEE FL	2,632,128	1,668,691	506,096
Full Line Stores Total Old	STR01640 FAIRVIEW HEIGHTS IL	2,694,346	1,554,433	673,873
Full Line Stores Total Old	STR01644 LANCASTER PA	2,558,318	1,424,602	527,798
Full Line Stores Total Old	STR01714 GREENSBURG PA	2,922,169	1,818,916	592,864
Full Line Stores Total Old	STR01722 BLOOMINGTON MN	2,586,077	1,843,378	430,665
Full Line Stores Total Old	STR01745 TAMPA FL	2,295,861	1,369,182	394,100
Full Line Stores Total Old	STR01760 NOVI MI	2,816,805	2,217,643	428,433
Full Line Stores Total Old	STR01773 SALISBURY MD	2,145,264	1,341,954	409,889
Full Line Stores Total Old	STR01894 ROCHESTER NY	2,897,505	1,594,712	796,170
Full Line Stores Total Old	STR02036 JACKSON TN	1,727,114	1,022,967	457,100
Full Line Stores Total Old	STR02092 APPLETON WI	2,058,630	1,402,003	388,834
Full Line Stores Total Old	STR02145 PT CHARLOTTE FL	2,064,865	1,105,063	490,984
Full Line Stores Total Old	STR02179 MEDFORD OR	2,371,039	1,355,013	616,801
Full Line Stores Total Old	STR02191 LINCOLN NE	2,204,112	1,329,529	467,918
Full Line Stores Total Old	STR02329 KENNEWICK WA	2,688,456	1,430,174	763,558
Full Line Stores Total Old	STR02390 SPRINGFIELD OH	1,278,346	736,252	217,410
Full Line Stores Total Old	STR02422 SIOUX CITY IA	2,358,961	1,466,800	462,869
Full Line Stores Total Old	STR02435 CHARLOTTESVILLE VA	1,776,520	1,191,938	145,793
Full Line Stores Total Old	STR02487 KILLEEN TX	2,226,634	1,082,842	587,807
Full Line Stores Total Old	STR02494 ALTOONA PA	2,461,198	1,466,809	517,579
Full Line Stores Total Old	STR02505 GAINESVILLE GA	1,458,550	938,338	234,510
Full Line Stores Total Old	STR02637 PORT ARTHUR TX	1,476,364	874,518	382,876
Full Line Stores Total Old	STR02885 PORT RICHEY FL	1,539,479	944,510	325,188
Full Line Stores Total Old	STR02990 ROCKFORD IL	2,094,032	1,283,481	562,696
		<b>98,267,824</b>	<b>61,862,109</b>	<b>19,509,892</b>
<b>Kmart + FLS</b>		<b>172,854,078</b>	<b>117,503,738</b>	<b>29,332,153</b>



Announced 12/27/18  
37 Kmart Stores  
43 FLS Stores

Gross Recovery Rate %
106.2%
112.6%
107.4%
118.1%
123.4%
115.8%
109.0%
114.0%
109.8%
121.8%
131.5%
118.4%
111.9%
107.3%
110.5%
118.7%
103.1%
108.9%
117.6%
116.0%
125.6%
109.1%
126.0%
112.9%
122.8%
110.7%
108.9%
106.1%
109.7%
105.4%
97.9%
116.0%
111.7%
112.5%
125.3%
108.0%
118.2%
113.9%
112.7%
114.8%
128.4%
120.2%
113.4%
116.7%
123.7%

133.5%
108.6%
129.0%
123.2%
123.3%
116.3%
122.8%
120.1%
126.9%
116.5%
106.3%
120.1%
121.0%
120.9%
131.0%
121.2%
113.7%
130.2%
106.5%
122.5%
121.2%
116.7%
115.0%
129.4%
120.2%
122.6%
122.6%
134.0%
122.2%
132.8%
133.3%
124.0%
124.4%
117.4%
121.2%
113.4%
120.8%
117.7%

# Exhibit H

<b>GOB Store Performance (Post-Ch. 11 Bankruptcy Filing)</b>									
Announce Date	Store Format	# GOB Stores	GOB Sales	Goods Available at Cost	Goods Available per Store	Gross Recovery %	Total GOB Expenses	GOB Expense per Store	Net Recovery %
10/15/18	FLS	77	\$ 251,199,766	\$ 205,725,578	\$ 2,671,761	122.1%	\$ 49,128,863	\$ 638,037	98.6%
	Kmart	65	\$ 197,658,880	\$ 171,692,459	\$ 2,641,422	115.1%	\$ 36,852,757	\$ 566,965	94.8%
	FLS+Kmart	142	\$ 448,858,646	\$ 377,418,037	\$ 2,657,874	118.9%	\$ 85,981,620	\$ 605,504	96.9%
11/8/18	FLS	29	\$ 71,762,679	\$ 58,587,791	\$ 2,020,269	122.5%	\$ 12,736,335	\$ 439,184	100.6%
	Kmart	11	\$ 40,583,110	\$ 34,358,332	\$ 3,123,485	118.1%	\$ 8,281,100	\$ 752,827	95.2%
	FLS+Kmart	40	\$ 112,345,789	\$ 92,946,123	\$ 2,323,653	120.9%	\$ 21,017,435	\$ 525,436	98.6%
12/27/18	FLS	43	\$ 98,267,824	\$ 81,372,001	\$ 1,892,372	120.8%	\$ 20,878,800	\$ 485,553	96.1%
	Kmart	37	\$ 74,586,254	\$ 65,463,890	\$ 1,769,294	113.9%	\$ 16,155,319	\$ 436,630	91.4%
	FLS+Kmart	80	\$ 172,854,078	\$ 146,835,891	\$ 1,835,449	117.7%	\$ 37,034,119	\$ 462,926	94.0%
Totals	FLS	149	\$ 421,230,269	\$ 345,685,370	\$ 2,320,036	121.9%	\$ 82,743,998	\$ 555,329	98.3%
	Kmart	113	\$ 312,828,244	\$ 271,514,681	\$ 2,402,785	115.2%	\$ 61,289,175	\$ 542,382	94.0%
	FLS+Kmart	262	\$ 734,058,513	\$ 617,200,051	\$ 2,355,725	118.9%	\$ 144,033,173	\$ 549,745	96.4%

# Exhibit I

# Illustrative Winddown Analysis



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[Confidential; Prepared at the Request of Counsel; Preliminary Draft]

## Winddown Executive Summary

- With assistance from its professionals, the Company has prepared a preliminary wind-down budget showing a twelve-month orderly liquidation commencing 12/16/18
  - The preliminary wind-down budget assumes that all assets are orderly liquidated in-place, including general merchandise inventory and real estate. Self-supporting business units, e.g., SHS, are assumed to be sold as going concerns pursuant to section 363 of the bankruptcy code
  - The analysis is on a consolidated basis for the Company, and does not take into account intercompany or guaranty claims between and among the Debtors
  - At 12/16/18, we assume the Company will:
    - Commence liquidation of all remaining inventory in the stores and distribution centers (with GOB sales beginning on 1/1/19)
    - Reject all remaining store and DC leases, other than valuable leases, which will be monetized
    - Reject all remaining non-essential contracts
    - Reduce management and staff to the minimum necessary to liquidate the collateral and perform transition services
    - Sell or monetize all remaining encumbered and unencumbered assets
  - Substantial funding for the wind-down is provided by:
    - The first \$240mm of unencumbered asset sale proceeds realized (which are segregated into a separate account), after which unencumbered asset sale proceeds and a portion of proceeds from the specified collateral are used to repay the \$350mm Junior DIP in full; after the Junior DIP has been repaid in full, additional asset proceeds are used to pay administrative expenses and unsecured creditors
    - The imposition of a 4% charge on encumbered assets sold throughout the case, with the exception of the first lien and prepetition ABL collateral (including non-insider portions of the FLO and Citi L/C), and Junior DIP collateral, due to the 506(c) waivers granted to these lenders solely in their capacity as DIP lenders
    - Excess proceeds (proceeds above lien value) from sales of encumbered collateral
- The Debtors are assumed to use cash generated during the wind-down period to pay administrative costs including:
  - Operating costs during the twelve-month wind-down period, including associated payroll and benefits costs for remaining employees
  - First lien secured lenders
  - Professional fees
  - Employee severance and PTO
  - 503(b)(9) and post-petition trade claims
  - Satisfaction of transition-service obligations incurred to maximize value in stand-alone business \$363 sale transactions
- Prior to 12/16/18, the Company is assumed to operate in the ordinary course with a 505 store footprint



[Confidential; Prepared at the Request of Counsel; Preliminary Draft]

## Key Assumptions – Operations

- **Operating Receipts**
  - Cash receipts are assumed to be generated through the following channels during the wind-down period:
    - Sales of merchandise in the normal course in the weeks leading up to the GOBs
    - Protection agreement sales underwritten by Assurant
    - Continued service revenues (direct-to-consumer repair services, B2B repair, warranty commissions)
    - Continued non-operating receipts (pass-through and non-pass-through) such as Citi credit card accrued interest sharing, insurance proceeds, dividends from foreign subsidiaries and litigation recoveries
    - Asset sales including both encumbered and unencumbered collateral
  - Same-store sales
    - Analysis assumes negative 15% same-store sales for all stores until the wind-down period begins on 12/16/18
    - Stores are assumed to maintain a 29% gross margin throughout the projection period, excluding GOBs, which are assumed to run at a net negative margin resulting in 89% Net Orderly Liquidation Value
    - All sales shown net of taxes, including sales taxes, pass-throughs, and royalties
  - The wind-down analysis assumes 3 waves of GOBs
    - Wave 1: 142 Stores beginning 10/28/18 ending 1/12/19
    - Wave 2: 40 Stores beginning 1/18/18 ending 2/2/19
    - Wave 3: 505 Stores beginning 1/1/19 ending 3/18/19
  - Other Inflows
    - Cessation of all PA sales after the first week of February 2019, PA liabilities assumed by buyer
    - Negative 15% YoY declines in Other Revenues, including Service Revenues
- **Operating Disbursements**
  - COGS Disbursements
    - Merchandise vendors assumed to be primarily on cash-in-advance terms with 4-day average shipping time in the period leading up to the wind-down with some merch AP based post-filing actuals:
      - Outstanding merchandise AP is paid down ~ 8 weeks after the wind-down starts using GOB proceeds (~\$37mm)
    - Following the transition to the wind-down mode on 12/16/18 no additional merchandise disbursements are made (last week of disbursements assumed to be the week ending 12/22/18) and merchant teams are immediately rationalized other than a small number of key employees to oversee vendor relations as the remaining on order inventory is shipped to the stores



[Confidential; Prepared at the Request of Counsel; Preliminary Draft]

## Key Assumptions – continued

- **Operating Disbursements (Continued)**
  - SG&A Disbursements
    - Assumes all dark store leases are rejected immediately (Company rejected 234 leases on 10/16/18) and GOB leases are rejected at the end of the GOB sales period; as the last set of GOBs is projected to run from the week ending 1/4/19 to the week ending 3/22/19, lease payments would be made for March and rejected in April
    - Immediate RIF of non-core, non-key personnel beginning 12/16/18 – 60 days of WARN following RIF announcement
    - Uses the Company's detailed Payroll, Benefits, Non-Merch and Tax projection to project cost
      - Analysis assumes non-critical costs are cut in accordance with profitability goals to reach a run rate of 80% in Week 7, stepping down each additional month until hitting a baseline spend in the second week of February with a preliminary wind-down SG&A structure
      - Assumes logistics costs are right-sized to reflect lower score count
    - GOB store payroll and other expenses are removed at the end of the GOB sales
      - GOBs expected to last 11 weeks in line with historical actuals
    - Capex assumes historical levels of maintenance with reductions in line with store closures
- **Other Disbursements**
  - Assumes \$10mm of utility deposits paid, and are subsequently forfeit during the wind-down
  - Assumes \$90mm of spend on critical vendor payments during the post-petition period
  - Assumes professional fees accrue at a monthly run-rate of ~\$23mm through the first phase ending 12/16/18
    - After case begins to wind down, professional fees drop to an eventual monthly run rate of ~\$5mm Professional fees (full projected pipeline to 12/16/18 + general carve-out + success fees) accrued in the carveout reserve until the wind-down begins; fees then paid for by the liquidation of the first lien collateral after the ABL, non-insider FILO and non-insider Citi L/C have been fully amortized
  - Assumes total severance of \$51mm through September 2019 (exclusive of WARN notice costs)
  - Assumes additional \$7mm of gift card redemptions over the run-rate through December 2018
- **Junior DIP**
  - Assumes \$350mm capped Non-Amortizing Multi-Draw Term Loan Junior DIP Facility
    - Junior DIP facility assumed to have a lien junior only to the First Lien DIP facility on prepetition unencumbered collateral other than specified collateral; on specified collateral, the Junior DIP liens are pari passu with the First Lien DIP facility after the first \$240mm of proceeds have gone to fund the earlier of a) the wind-down reserve or b) the wind-down of business operations
      - Interest Expense of L+1,000

**[Confidential; Prepared at the Request of Counsel; Preliminary Draft]**

## Key Assumptions – continued

- **Unencumbered Asset Values**
  - Credit Card Tort Claim: Assumes \$40mm
  - Unencumbered Receivables: Assumes \$86mm, estimated using 30% recovery on \$285mm book value
  - Sears Auto Centers (SAC): Assumed to be immediately liquidated simultaneously with the stores, with proceeds reflected in GOB recoveries – no going concern value
  - Includes actual sale of SRAC MTNs for net proceeds of approximately \$81mm, which is included in the wind-down reserve
  - Monark: Assumed to be placed up for auction on 1/1/19 – No value assumed
  - No value assumed for Net Operating Losses
  - Initial illustrative and preliminary estimates of the following assets used per 12/2/18 consultation with Lazard
    - Innovel: Assumed to be placed up for auction on 1/1/19 and to generate \$25mm of gross proceeds;
    - Sears Home Improvement: \$60mm
    - Sears Home Services (SHS): \$100mm placed up for auction on 1/1/19
    - Buyer assumed to accept liabilities related to the protection agreements in a sale process
  - TSA modeled in place for all going concern assets such that any and all costs incurred by wind-down entity are assumed to be passed through directly to the purchaser
- **Unencumbered Real Estate Values**
  - Starting point values for top 40 unencumbered real estate assume midpoint of JLL appraisals and A&G broker opinion of value
    - Starting point estimates were haircut by 50% to reflect discount due to accelerated liquidation vs. going concern valuations
    - If no valuation was provided by JLL or A&G, we assumed the Company's historical target value for the property
    - Sale assumption dates for properties are based on market interest in the properties and expected sale process timing
    - The methodology outlined above results in a preliminary and illustrative ~\$286mm of gross proceeds for top 40 properties and ~\$141mm of gross proceeds for remaining unencumbered properties, adding to a total of ~\$427mm of gross real estate proceeds, which was then reduced by an estimated 6% broker fee for net proceeds to the estate of ~\$401mm
    - See page 26 in appendix for additional detail by property
- **Encumbered Asset Values**
  - Dove real estate are assumed to be sold at 70% of dark value and incur a 6% broker fee
  - IPGL real estate collateral assumed to be sold at dark values and incur a 6% broker fee
  - IPGL IP collateral assumed to be sold for \$50mm, which represents ~15% of the low-end estimate of distressed fair market value of \$345mm as stated in the Ocean Tomo appraisal document dated 1/12/18
- **Kenmore and Diehard**
  - \$100mm of proceeds related to Kenmore or DieHard; excluded from analysis given KCD notes to non-debtor entity



**[Confidential; Prepared at the Request of Counsel; Preliminary Draft]**

## Assumptions Subject to Review

All of the assumptions in this document are highly preliminary and subject to material change, including, without limitation:

- Go-forward financial performance of the store base
- Go-forward financial performance of the non-store businesses
- Feasibility and timing of SG&A reductions
- **Assets**
  - Certain island stores and the Guam stores may be sold as going concern stores which would change recoveries on those assets
  - Carry costs and timing of real estate liquidations
    - The analysis does not include real estate related expenses past the end of GOB periods for potential additional time and carrying costs that may be required to sell real estate assets
  - No recovery is assumed from Avoidance Actions or Sears RE
  - Assumes no proceeds from collateral charges are paid to the estate from the Sparrow collateral
- **Claims**
  - 503(b)(9) and GUC claims as of the petition date are estimated by SHC; subject to change based on further inventory receipt reconciliation
  - The initial estimate of the size of the general unsecured claim pool may change materially
  - WARN, severance, and PTOs costs associated with RIFs occurring past 11/15/18 are based on average salary and benefits of employees, and will change as employees subject to future RIFs are finalized
  - The analysis does not include Priority Tax Claims created on a prepetition basis; the advisors are continuing to diligence these items
- **PBGC Claim**
  - This analysis does not reflect any view or estimate regarding a) the size of the PBGC claim, b) the priority of the PBGC claim, or c) any proceeds associated with the liquidation or transfer of securities held by the PBGC
    - The PBGC is likely to have a significant unsecured claim, which is excluded from this analysis
- **Cost Allocations and Asset Proceeds Waterfall**
  - All cost allocations and collateral charges are preliminary and illustrative in nature and will be subject to further input and review by the Company and its advisors

**[Confidential; Prepared at the Request of Counsel; Preliminary Draft]**

# Preliminary & Illustrative Creditor Recovery Matrix

## Winddown Scenario

### Preliminary & Illustrative Creditor Recovery Matrix

Creditors	Gross Claim	Remaining Assets						
		1st Lien Collateral	Jr. DIP Collateral (Previously Unencumbered)	Sparrow RE	Dove RE	IPGL Collateral	Wind-down Reserve	Carve-Out
Admin and Other Priority Claims <sup>(1)</sup>	\$1,399	(\$1,068)	(\$103)	-	(\$17)	(\$59)	(\$137)	(\$45)
DP ABL <sup>(2)</sup>	655	(655)	-	-	-	-	-	-
Junior LIP	350	-	(350)	-	-	-	-	-
FLO (1.5)	125	(125)	-	-	-	-	-	-
Citi LC Facility (1.75) <sup>(3)</sup>	176	(171)	-	-	-	-	-	-
2nd Lien 507(b) Claim <sup>(4)</sup>	342	(203)	-	-	-	-	-	-
2nd Lien Line of Credit Loans	570	(16)	-	-	-	-	-	-
ESL 2nd Lien Term Loan (HK)	320	(9)	-	-	-	-	-	-
2nd Lien Notes (HK)	175	(5)	-	-	-	-	-	-
2nd Lien Notes (2.5; Cash)	89	-	-	-	-	-	-	-
Dove Loans	831	-	-	-	(389)	-	-	-
Sparrow Loans <sup>(5)</sup>	NA	-	-	-	-	-	-	-
GL / P Loan	241	-	-	-	-	(166)	-	-
<b>Total Secured Debt / Claims</b>	<b>\$5,274</b>	<b>(\$2,071)</b>	<b>(\$658)</b>	-	<b>(\$406)</b>	<b>(\$196)</b>	<b>(\$137)</b>	<b>(\$45)</b>
Protection Liability <sup>(6)</sup>	\$1,009	-	-	-	-	-	-	-
Unsecured and Deficiency Claims <sup>(7)</sup>	4,762	-	-	-	-	-	-	-
<b>Total Unsecured Debt / Claims</b>	<b>\$5,771</b>	-	-	-	-	-	-	-
<b>Total Debt / Claims</b>	<b>\$11,044</b>	<b>(\$2,071)</b>	<b>(\$658)</b>	-	<b>(\$406)</b>	<b>(\$196)</b>	<b>(\$137)</b>	<b>(\$45)</b>
<b>Notes:</b>								
(1) Includes \$89 /mm of Payroll, Taxes, and Benefits, \$10.4mm of Rent and Occupancy, \$134.3mm of Other SG&A, \$39.7mm of Post-Petition AP, \$39.7mm of Post-Petition TSA/CSA, \$163.3mm of Other Ch. 11 Expense, and \$58.4mm of Interest and Fees, net against \$225mm of other proceeds and operating profit contribution.								
(2) Per Wind Down Budget; balances as of 1/5/19.								
(3) Preliminary estimate of liability; \$271mm of written LCs reduced by \$75mm of workers' comp and \$20mm customs bond; proceeds from the liquidation of the collateral are then used to cash collateralize the remaining \$107mm non-insider portion of the facility, after which, the collateral is ratably charged with the remainder used to cash collateralize the remaining \$58mm insider portion of the facility.								
(4) Claims under section 507(b) of the Bankruptcy Code for diminution in the value of second-lien collateral are shown on a preliminary basis. The ultimate value of these claims could vary materially given a number of factors including the use going concern or liquidation values, inclusion or exclusion of certain administrative costs such as professional fees that benefit from the Carve-Out and charges and the ultimate validity of the second-lien liens and claims. In addition, the validity and amount of such diminution claims is expected to be a disputed among the parties.								
(5) Sparrow entities are non-debtors and excluded from analysis.								
(6) Estimate of gross liability. Illustratively assumes protection liability is assumed by any potential Sears Home Services Buyer, resulting in full recovery to buyers of protection agreements and warranties.								
(7) Draft estimate of gross liability per Deloitte of \$3.4bn, less \$32mm of critical vendor payments, plus deficiency claims of ~\$1.4bn.								

Notes:

(1) Includes \$89 /mm of Payroll, Taxes, and Benefits, \$10.4mm of Rent and Occupancy, \$134.3mm of Other SG&A, \$39.7mm of Post-Petition AP, \$39.7mm of Post-Petition TSA/CSA, \$163.3mm of Other Ch. 11 Expense, and \$58.4mm of Interest and Fees, net against \$225mm of other proceeds and operating profit contribution.

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(7) Draft estimate of gross liability per Deloitte of \$3.4bn, less \$32mm of critical vendor payments, plus deficiency claims of ~\$1.4bn.

Citi LC Facility				
Ownership	Gross Claim	Paydown	Recovery (\$)	Recovery (%)
Non-Insiders	\$107	(\$107)	\$107	100%
ESL	\$69	(\$64)	\$64	93%
<b>Total</b>	<b>\$176</b>	<b>(\$171)</b>	<b>\$171</b>	<b>97%</b>



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# Appendix



[Confidential; Prepared at the Request of Counsel; Preliminary Draft]

# Schedule of Estimated Unsecured Liabilities

(\$ in millions)

Description	Est. Bid - Company Numbers	Winddown Scenario	Comments
<b>Unsecured Notes</b>			
Old 8% Senior Unsecured Notes due 2019 - \$525M	\$411	\$411	
New 9% Senior Unsecured R/L Notes due 2019 - \$214M	223	223	
SRAC Unsecured Notes	186	186	
SRAC Unsecured R/L Notes	108	108	
SRAC Medium Term Notes with Cyrus Capital (External)	231	231	Reflects obligation to Cyrus per MTN sale
<b>Total Unsecured Notes Payable</b>	<b>\$1,178</b>	<b>\$1,178</b>	<b>See Note 1 Below</b>
<b>Accounts Payable</b>			
NAP	\$132	\$132	
RAFS	330	330	
Import	247	247	
CARRACH	7	7	
MONARK	4	4	
SHIP	7	7	
Critical Vendor Payments	(45)	(33)	
<b>Total Accounts Payable</b>	<b>\$703</b>	<b>\$715</b>	<b>See Note 2 Below</b>
<b>Accrued &amp; Other Liabilities</b>			
Cash Overdrafts	\$79	\$79	
Customer Deposits	3	3	
Payable to Concessions	2	2	
Services Payable	1	1	Only inclusion is prepaid subtenant lease
STT Unfavorable Leases	3	3	
ST Pension OPEB	18	18	
Other Current Liabilities	99	99	
Accrued Insurance	19	19	
Accrued Rent Expense	3	3	
Accrued Interest Payable	35	35	Could include some intercompany - for conservatism included all
Accrued Expenses - Miscellaneous	20	20	
Pension and post retirement benefits	1,160	1,160	
<b>Total Accrued &amp; Other Liabilities</b>	<b>\$1,443</b>	<b>\$1,443</b>	<b>See Note 3 Below</b>
<b>Other Items</b>			
Protection Liabilities	\$1,009	\$1,009	
Estimated Lease Rejection Damages (217 Stores)	100	100	Est. at 1 year's rent for 217 rejected stores
Estimated Lease Rejection Damages (182 Additional Stores)	TBD	TBD	Do not have estimated rejection damages on these - believe there are 172 leased stores within the 182 total.
Payments & Waivers Related to First Day Actions	(96)	(96)	Excludes \$44M of payroll payments and other agreements w/ here debt w/sg waived in consideration for change of terms.
<b>Total Other Items</b>	<b>\$1,013</b>	<b>\$1,013</b>	
<b>Deficiency Claims</b>			
Chil LC Facility (1.75)	-	\$5	
2nd Lien Line of Credit Loans	\$233	445	
Est. 2nd Lien Term Loan (HK)	160	260	
2nd Lien Notes (HK)	-	137	
2nd Lien Notes (2.5% Cash)	89	89	
Cove Loans	-	442	
GL / I/P Loan	-	55	
<b>Total Deficiency Claims</b>	<b>\$502</b>	<b>\$1,422</b>	
<b>TOTAL</b>	<b>\$4,938</b>	<b>\$5,771</b>	

## Notes:

- [1] Does not include \$232.4M of SRAC Commercial Paper owed to Non-Debtors. Also does not include \$1,151B of secured notes that are currently undersecured (Deficiency Claims.)
- [2] Any contract cure payments would reduce this balance on a negotiated basis, which is usually a 100% recovery. Also any vendor trade liabilities that qualify for 503(b)(9) status and are not part of a contract cure assumption, would receive "Administrative Priority". Includes SHIP payables.
- [3] Pension & Post Retirement Benefits include \$1,024B of accrued pension liability (Plans I and II) and \$135M of accrued post retirement benefits.
- [4] Does not include any potential unsecured claims subject to "Priority" status per Section 507 of the bankruptcy code - this would include claims by Taxing Authorities and Employee-Related Claims (limited to \$12,850 per employee with the remainder falling to General Unsecured status).

Source: Deloitte balance sheet estimates as of 10/6/2018, updated to reflect deficiency claims, protection liability claims, and other certain adjustments; subject to change.



[Confidential; Prepared at the Request of Counsel; Preliminary Draft]

## Preliminary &amp; Illustrative Wind Down Cash Flows

1 of 2

## Wind Down Budget Cash Flows

		Case Week (Ending)																Case Total
		3	7	12	16	20	25	33	38	42	46	51	55	58	59	60		
Qtr	Month	2018	2018	2018	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2020	
OPERATING RECEIPTS																		
Normal Course Net Merchandise Receipts																		
	Rus: GCP Sales Receipts	\$389.6	\$735.6	\$680.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,805.5	
	Rus: PA Sales	0.0	270.8	452.2	1,093.8	808.6	146.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,712.3	
	Rus: Other Cash Receipts	13.6	6.4	51.6	41.6	10.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	123.3	
	Rus: Non-Operating Receipts	149.1	0.0	73.6	78.1	41.9	11.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	354.1	
	Rus: ISA & CSA Receipts	4.9	3.0	1.8	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.0	
	Total Operating Receipts	\$557.2	\$955.8	\$1,260.1	\$1,218.2	\$866.8	\$166.1	\$6.2	\$6.2	\$7.2	\$3.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$5,047.5	
OPERATING DISBURSEMENTS																		
Payroll, Taxes, and Benefits																		
	Rent and Occupancy	(137.0)	(181.8)	(170.2)	(57.8)	(2.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(548.7)	
	Merchandise Vendors	0.0	(38.8)	(40.2)	(34.1)	(25.0)	(11.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(147.4)	
	Other SG&A Disbursements	(144.1)	(324.8)	(266.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(735.4)	
	CapEx	(116.3)	(228.1)	(370.3)	(362.3)	(288.0)	(96.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1,449.0)	
	Total Operating Disbursements	(\$397.4)	(\$773.1)	(\$652.7)	(\$448.2)	(\$317.8)	(\$112.4)	(\$1.0)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$2,902.3)	
Net Cash Flow before Wind-Down and Ch. 11																		
	WindDownCo Expense	\$159.8	\$182.7	\$407.4	\$770.0	\$548.2	\$33.7	\$6.2	\$6.2	\$7.2	\$3.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$2,145.1	
	Severance	0.0	0.0	(45.8)	(42.0)	(42.0)	(40.9)	(35.5)	(26.5)	(33.2)	(20.9)	(4.0)	(4.9)	(4.0)	(4.0)	(4.0)	(303.4)	
	WARR	0.0	0.0	(4.1)	0.0	(4.1)	0.0	0.0	0.0	(4.1)	0.0	0.0	0.0	0.0	0.0	0.0	(12.2)	
	503(b)(9)	0.0	0.0	(15.9)	(10.5)	(2.6)	(16.2)	(9.7)	0.0	(1.7)	(6.8)	(5.1)	0.0	0.0	0.0	0.0	(69.5)	
	Warranty Refunds	0.0	0.0	0.0	0.0	(94.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(94.4)	
	Post-Retition AP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	Post-Retition TSA/CSA	0.0	0.0	(0.6)	(2.4)	(6.2)	(7.8)	(6.2)	(6.2)	(7.2)	(3.8)	0.0	0.0	0.0	0.0	0.0	(73.3)	
	Other Ch. 11 Expense	(9.1)	(45.8)	(77.5)	(29.0)	(23.7)	(10.8)	(16.4)	(16.3)	(6.1)	(8.1)	(9.6)	(13.5)	(11.5)	(7.5)	(3.9)	(296.6)	
	Interest and Fees	(13.4)	(39.7)	(13.9)	(7.3)	(4.5)	(5.5)	(4.4)	(4.4)	(5.5)	(4.4)	(4.0)	(4.1)	(2.9)	(2.9)	(3.6)	(123.4)	
	Wind-Down and Ch. 11 Related Expense	(\$22.5)	(\$95.5)	(\$158.7)	(\$91.2)	(\$260.7)	(\$81.1)	(\$63.2)	(\$53.4)	(\$57.7)	(\$42.0)	(\$22.6)	(\$22.5)	(\$18.4)	(\$14.3)	(\$12.5)	(\$1,012.1)	
Net Cash Flow after Wind-Down and Ch. 11 Costs																		
		\$137.3	\$97.2	\$246.7	\$678.8	\$298.5	\$27.4	(\$58.1)	(\$17.2)	(\$50.6)	(\$38.2)	(\$22.6)	(\$22.5)	(\$18.4)	(\$14.3)	(\$12.5)	\$1,133.1	



[Confidential; Prepared at the Request of Counsel; Preliminary Draft]

## Preliminary &amp; Illustrative Wind Down Cash Flows

2 of 2

## Wind Down Budget Cash Flows

		Case Week (Ending)																Case Total
		3	7	12	16	20	25	28	30	31	36	42	46	51	55	58	64	
Month	Week Ending	Oct 2018	Nov 2018	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	June 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	
Net Cash Flow after Wind-Down and Ch. 11 Costs																		
		\$137.3	\$97.2	\$248.7	\$678.8	\$298.5	\$377.4	\$588.1	\$437.2	\$500.6	\$382.2	\$322.6	\$322.5	\$318.4	\$314.3	\$312.5	\$315.8	\$1,133.1
	Peri Passu Sr. DIP Properties	0.0	0.0	0.0	0.0	8.8	0.0	0.0	0.0	12.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	21.3
	Junior DIP Collateral	0.0	81.1	98.4	99.9	104.6	12.8	28.1	210.3	57.5	50.9	0.0	0.0	80.8	0.0	0.0	0.0	193.5
	Dove RE Loan Collateral	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	389.0	0.0	0.0	0.0	0.0	389.0
	Sparrow RE Loan Collateral	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	\$13.2	0.0	0.0	0.0	0.0	0.0	\$13.2
	IFCL Loan Collateral	0.0	0.0	0.0	208.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	208.0
	Unencumbered Assets Collateral	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	PBOC Springing Lien Collateral	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Estate Charges	0.0	0.0	0.0	9.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17.3	0.0	0.0	0.0	0.0	26.5
	Encumbered Assets (Total)	\$0.0	\$81.1	\$56.4	\$277.2	\$163.4	\$12.8	\$29.1	\$210.3	\$70.0	\$50.9	\$13.2	\$406.3	\$80.8	\$0.0	\$0.0	\$0.0	\$1,951.6
	of which: Excess Proceeds	0.0	0.0	0.0	0.0	248.6	0.0	0.0	14.2	70.0	50.9	0.0	0.0	80.8	0.0	0.0	0.0	484.3
	Beginning Cash Balance	83.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	83.8
	ABL & DIP Draw / (Paydown)	111.9	(446.8)	(237.5)	(655.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1,527.9)
	Jr. DIP Draw / (Paydown)	0.0	75.0	275.0	0.0	(112.0)	(12.8)	(29.1)	(196.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(100)
	FILO Paydown	0.0	0.0	0.0	(39.3)	(85.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(125.0)
	Stardone LC Paydown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Sparrow Loans Paydown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(513.2)	0.0	0.0	0.0	0.0	0.0	(513.2)
	Consolidated RE Loans Paydown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(398.0)	0.0	0.0	0.0	0.0	(398.0)
	IFCL Paydown	0.0	0.0	0.0	(208.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(208.0)
	Net Cash Flow After Debt Paydown	\$333.0	(\$193.5)	\$42.6	\$93.2	\$284.3	\$277.4	(\$98.1)	\$33.0	\$19.4	\$12.7	(\$22.6)	(\$62.2)	\$62.5	(\$14.3)	(\$12.5)	(\$15.8)	\$405.2
	WDR Funding	0.0	(81.1)	(56.4)	(59.8)	197.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Carveout Funding	0.0	(58.4)	13.8	6.8	8.0	(5.0)	9.2	10.5	(2.9)	(10.4)	6.0	7.9	7.0	3.5	(1.7)	5.2	(100)
	Available Cash	333.0	0.0	0.0	0.0	469.7	437.3	388.4	365.9	392.5	394.8	363.2	370.8	440.3	429.8	415.7	405.2	405.2
	Wind-down Reserve	0.0	81.1	137.5	197.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Carve-out Account	0.0	58.4	44.7	37.9	29.9	34.8	25.7	15.2	18.0	28.4	22.4	14.5	7.5	3.6	5.4	0.0	0.0
	Total Liquidity (Availability + Cash + WDR)	\$333.0	\$139.5	\$182.1	\$235.3	\$499.6	\$472.2	\$414.1	\$381.1	\$400.5	\$413.2	\$380.6	\$385.4	\$447.8	\$433.5	\$421.1	\$405.2	\$405.2
Outstanding Balances																		
	Mentor 2L Instruments	1,151.0	1,151.0	1,151.0	1,151.0	1,151.0	1,151.0	1,151.0	1,151.0	1,151.0	1,151.0	1,151.0	1,151.0	1,151.0	1,151.0	1,151.0	1,151.0	1,151.0
	Borrowing Base	1,698.9	1,675.1	1,262.5	629.0	174.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Sr. DIP & ABL	1,639.3	1,193.0	665.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	FILO	125.0	125.0	125.0	85.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Ch. 11	271.0	271.0	271.0	271.0	271.0	271.0	271.0	271.0	271.0	271.0	271.0	271.0	271.0	271.0	271.0	271.0	271.0
	Jr. DIP	0.0	75.0	350.0	350.0	238.0	225.2	186.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Professional Fees	174.5	174.5	153.7	153.7	134.3	110.6	99.8	83.5	51.1	54.9	45.3	31.8	20.3	12.8	9.0	0.0	0.0
	Severance & PTO	7.5	19.7	11.5	8.2	4.1	4.1	4.1	4.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	503(b) Claims	94.4	94.4	94.4	94.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Post-Petition Liabilities	23.1	23.1	23.1	23.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Post-Petition AP	36.9	28.1	73.3	73.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Admin & Priority Claims	\$2,372.3	\$2,004.8	\$1,757.4	\$1,098.3	\$647.4	\$610.9	\$571.0	\$538.5	\$332.1	\$225.8	\$161.3	\$502.8	\$281.3	\$233.8	\$280.0	\$271.0	\$271.0



[Confidential; Prepared at the Request of Counsel; Preliminary Draft]

# Preliminary & Illustrative Wind Down Cash Flows

## Sources and Uses of Cash

		Sources of Proceeds															Total		
		DIP Collateral			Excess from Encumbered Assets or Collateral Charge							Additional Jr. DIP Collateral						Reserves	
		Other 1L Collateral¹	GOB Proceeds	Jr. DIP R.E. (Net WDR)	Sparrow R.E.	Secured R.E.	IP (ex-KCD)	IPGL Leases	Kenmore	Dehard	Other Revables	SHS	Manark	Innovel	CC Tort Claim	Vfnd-Down Reserve		Prof Fee Carve-Out	
Wind-down Begins on 12/16/18:																			
Total Asset Net Proceeds		N/A	246	2,049	242	-	17	2	7	-	-	81	150	-	24	56	240	46	3,150
Sr. DIP & ABL		655	(207)	(440)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(635)
Jr. DIP		360	-	-	(39)	-	-	-	-	-	-	(81)	(130)	-	(24)	(56)	-	-	(350)
FILO & Oil LC		301	-	(296)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(290)
2nd Lien		1,154	-	(31)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(31)
CO3(b)(3)		94	-	(94)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(94)
Professional Fees		154	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(109)	(46)	(154)
Home Office Wind-down Cost		258	-	(100)	-	-	(17)	(2)	(7)	-	-	-	-	-	-	-	(131)	-	(258)
Logistics and Other SGA		338	-	(338)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(338)
W&RN		53	-	(53)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(53)
Severance		8	-	(8)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8)
P/O		3	-	(3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3)
KIDWIKER		6	-	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6)
Post-Petition A/P		73	-	(73)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(73)
Post-Petition TSA and CSA		40	(40)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(40)
507(b)		342	-	-	(203)	-	-	-	-	-	-	-	-	-	-	-	-	-	(203)

Excess:

Note: Claims under section 507(b) of the Bankruptcy Code for diminution in the value of second-lien collateral are shown on a preliminary basis. The ultimate value of these claims could vary materially given a number of factors including the use going concern or liquidation values, inclusion or exclusion of certain administrative costs such as professional fees that benefit from the Carve-Out and charges and the ultimate validity of the second-lien liens and claims. In addition, the validity and amount of such diminution claims is expected to be a disputed among the parties.



# Exhibit J



# SEARS HOLDINGS

OFFICIAL COMMITTEE OF UNSECURED CREDITORS - DISCUSSION MATERIALS

November 12, 2018

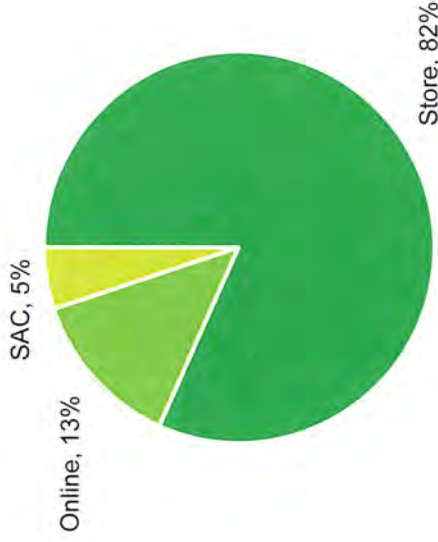


# A smaller but balanced Sears and Kmart footprint delivers \$409mm of 4-wall EBITDA in 2019

## Business Overview

- Sears' Retail Business consists of its 266 Sears Stores, 239 Kmart Stores and their respective Online presences
- The business is broken into the primary categories below:
  - Hardlines – composed of Home Appliances (HA), Consumer Electronics, Tools, Lawn & Garden, Outdoor Living, Sporting Goods, Mattresses, and Monark businesses
  - Softlines – composed of Apparel, Footwear, Home, and Jewelry businesses; these businesses sell an assortment of proprietary brands as well as third-party retail options
  - Sears Auto Centers – a multi-channel automotive aftermarket service provider offering replacement tires, mechanical diagnostics and repair, vehicle maintenance products and services, batteries and battery-related accessories, as well as automotive accessories and chemicals for cars and light trucks
  - Grocery & Drugstore, Pharmacy, and Children's Entertainment & Seasonal – sells grocery, household and pet supplies, beauty care, OTC health & wellness, stationery, party supplies, children's entertainment products, seasonal merchandise, dispenses prescription drugs and performs clinical services

## Revenue by Segment



FY 2019E Revenue: \$6.6bn Revenue

## Preliminary 2019E Forecasted Financials

(\$ mm)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY19
<b>Retail</b>													
Same Store Sales (% Change)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	–	–	1.0%	1.0%	1.0%	2.0%	2.0%	2.0%	0.6%
Brick and Mortar Revenue	\$330	\$426	\$341	\$412	\$502	\$363	\$381	\$436	\$363	\$547	\$741	\$405	\$5,247
Sears Auto Center Revenue	27	34	26	27	32	25	25	29	21	27	33	23	329
Online Revenue	85	54	89	92	69	66	79	62	78	98	60	72	905
ShopYourWay	5	11	6	7	9	7	7	9	6	7	16	7	97
<b>Total Revenue</b>	<b>\$447</b>	<b>\$525</b>	<b>\$463</b>	<b>\$538</b>	<b>\$613</b>	<b>\$461</b>	<b>\$492</b>	<b>\$536</b>	<b>\$468</b>	<b>\$680</b>	<b>\$850</b>	<b>\$506</b>	<b>\$6,578</b>
(-) COGS	(328)	(369)	(322)	(379)	(433)	(324)	(368)	(394)	(329)	(485)	(579)	(375)	(4,687)
<b>Gross Margin</b>	<b>\$119</b>	<b>\$155</b>	<b>\$140</b>	<b>\$159</b>	<b>\$180</b>	<b>\$136</b>	<b>\$123</b>	<b>\$141</b>	<b>\$139</b>	<b>\$195</b>	<b>\$271</b>	<b>\$132</b>	<b>\$1,891</b>
Margin (%)	27%	30%	30%	29%	29%	30%	25%	26%	30%	29%	32%	26%	29%
(-) Operating Expenses	(114)	(129)	(110)	(116)	(133)	(113)	(116)	(133)	(114)	(131)	(145)	(128)	(\$1,482)
<b>Retail EBITDA</b>	<b>\$5</b>	<b>\$27</b>	<b>\$30</b>	<b>\$43</b>	<b>\$48</b>	<b>\$23</b>	<b>\$7</b>	<b>\$9</b>	<b>\$25</b>	<b>\$64</b>	<b>\$126</b>	<b>\$3</b>	<b>\$409</b>
Margin (%)	1%	5%	7%	8%	8%	5%	2%	2%	5%	9%	15%	1%	6%



## Part of Apparel's success is through stabilizing markdowns and points investment

### Apparel Financial Performance

- Apparel delivered \$118mm in additional gross profit and \$58mm in business operating profit vs. last year due to markdown savings and better sourcing cost
- Margin rate of 39.4% is 630bps improved vs. last year
- Gross margin dollars with points flat vs. last year from additional SYW investments

(\$ in millions)		October YTD		
	2017	2018		Δ
<b>Apparel</b>				
Revenue	1,435	1,505		70
% Growth		4.9%		
Markdowns	414	350		(64)
% Markdowns	28.8%	23.2%		(5.6%)
Gross Profit	475	593		118
% Gross Profit	33.1%	39.4%		6.3%
SYW				
% SYW	(87)	(173)		(86)
	(6.0%)	(11.5%)		(5.4%)
Gross Margin Dollars	443	443		0
% Gross Margin Dollars	30.9%	29.5%		(1.4%)
Expenses	601	543		(58)
% Expenses	41.9%	36.1%		(5.8%)
Business Operating Profit	(158)	(100)		58
% Business Operating Profit	(11.0%)	(6.6%)		4.4%

# Exhibit K

SEE NATIVE FILE



<u>Date</u>	<u>LC Number</u>	<u>Issuer</u>	<u>Amount</u>	<u>Beneficiary</u>
10/26/2018	68136692	BAML	\$ 39,419.40	Pacificorp/PacificPower
10/26/2018	68136691	BAML	\$ 22,922.32	Pacificorp/PacificPower
10/31/2018	68136840	BAML	\$ 79,710.18	Madison Title Agency
10/31/2018	68141658	BAML	\$ 62,119.60	MP2 Energy Texas
11/1/2018	68141658	BAML	\$ 17,467.40	MP2 Energy Texas
11/1/2018	68141658	BAML	\$ 1,774.47	MP2 Energy Texas
11/1/2018	68141658	BAML	\$ 16,343.71	MP2 Energy Texas
11/5/2018	68108136	BAML	\$ 68,713.68	Arizona Public Service
11/6/2018	68141658	BAML	\$ 9,432.96	MP2 Energy Texas
11/6/2018	68142039	BAML	\$ 57,162.95	Union Electric Co
11/8/2018	68141658	BAML	\$ 98,590.39	MP2 Energy Texas
11/14/2018	68138656	BAML	\$ 116,964.00	PECO
11/14/2018	68138657	BAML	\$ 20,253.00	PECO
11/14/2018	68141658	BAML	\$ 25,756.28	MP2 Energy Texas
11/20/2018	68141658	BAML	\$ 111,048.32	MP2 Energy Texas
11/21/2018	68141658	BAML	\$ 34,026.73	MP2 Energy Texas
11/21/2018	68114723	BAML	\$ 82,283.27	San Diego Gas&Electric
11/26/2018	68141658	BAML	\$ 31,048.09	MP2 Energy Texas
12/3/2018	68141658	BAML	\$ 64,063.47	MP2 Energy Texas
12/17/2018	68142039	BAML	\$ 1,949.87	Union Electric Co
12/19/2018	68114723	BAML	\$ 39,048.85	San Diego Gas&Electric
12/19/2018	68136692	BAML	\$ 43,580.60	Pacificorp/PacificPower
12/19/2018	68136991	BAML	\$ 13,077.68	Pacificorp/PacificPower
12/19/2018	68136840	BAML	\$ 337,018.83	Madison Title Agency
12/27/2018	68130499	BAML	\$ 317,970.50	Direct Energy Business
3/26/2019	1325141	BAML	\$ 850,000.00	State of Montana - Kmart self-insured WC
4/18/2019	68113887	BAML	\$ 2,553,000.00	Beede Group
5/13/2019	1410419	BAML	\$ 277,137.37	Travelers Casualty and Surety
5/23/2019	68133798	BAML	\$ 875.00	National Fuel Resources
<b>TOTAL BAML \$ 5,392,758.92</b>				
10/19/2018	SM238634W	Wells Fargo	\$ 1,400,000.00	Treasurer of State Of Maine - Kmart self-insured WC
10/29/2018	SM238635W	Wells Fargo	\$ 750,000.00	State of Maine - Sears old self-insured WC
<b>TOTAL WELLS-FARGO \$ 2,150,000.00</b>				
<b>TOTAL BAML - WELLS \$ 7,542,758.92</b>				
11/30/2018	69613171	Citi	\$ 1,048,828.33	Southern California Edison
1/11/2019	69613060	Citi	\$ 261,347.00	ARGONAUT INSURANCE COMPANY
2/7/2019	69613280	Citi	\$ 277,482.70	Direct Energy
<b>TOTAL CITI \$ 1,587,658.03</b>				
<b>TOTAL DRAWS TO DATE \$ 9,130,416.95</b>				
<b>ONE DRAW PENDING:</b>				
Pending	68134076	BAML	\$ 10,500.00	Vectren

# Exhibit L

EXHIBIT 3: GRIFFITH ADJUSTMENTS

	GRIFFITH VALUE	HENRICH ADJ.	NOTES
<b>Debt</b>			
Total First Lien Debt	1,927.0		
Total Second Lien Debt (ex. Second Lien Notes)	1,078.0		
Total First & Second Lien Debt	3,005.0		
<b>Recoveries</b>			
Total Inventory at cost	2,691.0		
Realized inventory value	2,287.4		Assumes Inventory sale proceeds at 85.0% of book value
Accounts receivable	70.0		
Total Eligible proceeds	2,357.4		
Less: First Lien Debt	(1,927.0)		
Amount Available for Second Lien Debt	430.4		Amount which was credit bid (~ 41% ) in connection with ESL Acquisition
<b>Recoveries for Second Lien Debt</b>	<b>430.4</b>	<b>430.4</b>	
<b>Henrich Adjustments</b>			
Add Cash		116.2	Cash on Hand; Disbursement Accounts, Depository Accounts, Concentration Accounts
Add Accounts Receivable/Cash Equivalents		64.3	Credit Card Deposits in Transit
1) Total Cash, Accounts Receivable, & Cash Equivalents		180.5	
2) Add Pharmacy prescription list		72.8	First Lien Collateral
3) Reduce amount of First Lien Debt outstanding		394.9	Undrawn First Lien Letters of Credit and Second Lien Stand-Alone L/C Facility
4) Add Inventory actual liquidation results		306.8	Difference between 96.4% actual GOB net recovery vs. 85% NOLV per debtors
5) Add to reflect going concern Inventory value		271.7	Difference between Go Forward 29% GM vs 15.9% GM in #4 above for ongoing stores
Total Adjustments		1,226.6	
<b>Adjusted Amount Available for Second Lien Debt</b>		<b>1,657.0</b>	
Total Second Lien Debt (ex. Second Lien Notes)		1,078.0	
Amount of Second Lien Notes Outstanding		89.0	
Total Second Lien Debt (Incl. Second Lien Notes)		1,167.0	
<b>Net Value in Excess of Second Lien Debt</b>		<b>490.0</b>	Amount of Corporate overhead and §506(c) costs that can be absorbed before impairment